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SURVEY of Current Affairs

Government and Administration

By-election and State of the Parties 359

Northern Ireland Criminal Law 359

Broadcasting and Terrorism 361

Shorter Note
Anglo-Irish Agreement 363

External Affairs and Defence

Changes in Soviet Foreign Policy: Britain's Views 364

Britain's Relations with Poland 367

Shorter Notes
Vietnamese Refugees in Hong Kong 368; Aid to United Nations Voluntary Funds 369; British Voluntary Agencies 369; Aid and Trade Agreements with China 369

Economic and Scientific Affairs

National Accounts 1987 371

Autumn Statement 373

Chancellor's Mansion House Speech 377

Chancellor's Speech at the International Monetary Fund Meeting 378

Merger Policy 380

Shorter Notes
Girobank Privatisation 381; National Savings 381; British Overseas Trade Board Annual Report 381; Support for Design Initiatives 381; Trade Agreement with the German Democratic Republic 382; Report on the Great Storm 382; Leicester Space Centre 383; Nobel Prize 383; Protection for Seals 383

Social and Cultural Affairs

Social Security Benefits 384

Education Reform in Northern Ireland 386

Broadcasting 388

Shorter Notes
Removal of Restrictions on the Employment of Women and Young People 391; Community Radio 391

Documentation 392

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NOTE

The term 'Britain' is used informally in the *Survey of Current Affairs* to mean the United Kingdom of Great Britain and Northern Ireland. 'Great Britain' comprises England, Wales and Scotland.

By-election and State of the Parties

Details of the result of a recent parliamentary by-election and the present state of the parties in the House of Commons are given below.

The Scottish National Party won a by-election in Glasgow Govan on 10 November. The seat became vacant when its holder, Mr Bruce Millan, resigned from Parliament in October following his appointment to the European Commission. The Scottish National Party candidate, Mr Jim Sillars, won by a majority of 3,554 votes. The result was as follows:

J Sillars (Scottish National)	14,677
R Gillespie (Labour)	11,123
G Hamilton (Conservative)	2,207
B Ponsonby (Social and Liberal Democrats)	1,246

Four other candidates between them received a total of 851 votes; all lost their deposits, as did the Social and Liberal Democrats candidate. Votes were cast by 60·2 per cent of the electorate.

At the general election in June 1987, when 73·4 per cent of the electorate voted, the seat was held by the Labour Party with Mr Millan polling 24,071 votes, followed by the Alliance[1] candidate with 4,562 votes, and the Conservative candidate with 4,411 votes.

State of the Parties

Following the by-election, the state of the parties in the House of Commons is now as follows:

Conservative	373
Labour	226
Social and Liberal Democrats	19
Social Democratic	3
Scottish National	4
Plaid Cymru (Welsh Nationalist)	3
Ulster Unionist (Northern Ireland)	9
Democratic Unionist (Northern Ireland)	3
Social Democratic and Labour (Northern Ireland)	3
Ulster Popular Unionist (Northern Ireland)	1
Sinn Fein (Northern Ireland)	1
[Vacant (Epping Forest)	1]
TOTAL	646

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The government majority over all the other parties is 101 although the Sinn Fein MP has not taken his seat.

[1]The Liberal Party and the Social Democratic Party fought the 1987 general election as the Liberal-Social Democratic Alliance. In March 1988 the two parties merged to form the Social and Liberal Democrats, though a separate Social Democratic Party continues to exist (see p 94).

Northern Ireland Criminal Law

Government plans to amend the general criminal law in Northern Ireland relating to evidence both before and during trial were approved by the House of Commons on 8 November by 274 votes to 210. Similar action is to be taken in England and Wales.

Background

The law in Northern Ireland, as in England and Wales, prevents the prosecution or the trial judge from suggesting that an adverse inference may be drawn from the fact that an accused person chooses to remain silent when questioned by the police. This remains true even if circumstances are such that an innocent person might reasonably be expected to proclaim his or her innocence and draw attention to facts serving to establish it.

In June 1972 the Criminal Law Revision Committee recommended that, in certain carefully defined circumstances, courts could be permitted to draw such inferences as would be proper from an accused's silence during questioning, in particular where the accused failed to mention facts upon which he or she subsequently relied at the trial and where the accused failed to give evidence in court once a substantive charge had been brought.

The Government has been reviewing the law on criminal evidence in Northern Ireland in the light of the challenge from those involved in terrorism and in racketeering and other serious crime and the increasing tendency for people accused of a criminal offence to exploit the so-called 'right to silence.'

The position in England and Wales is also being reviewed, a working group having been set up in 1988 to consider the implications for legislation. On 20 October Mr Hurd told the House of Commons (*Hansard*, Vol 138, No 201, written answers, cols 983-4) that he would seek the earliest opportunity after receiving the working group's report to bring forward proposals for legislation.

In Scotland, which has a separate legal system, there is a judicial examination procedure available to the prosecution under the Criminal Justice (Scotland) Act 1980. In appropriate cases this procedure can be used to put questions to the accused in the presence of the sheriff. In the words of the Act, the questions may be directed to 'eliciting any denial, explanation, justification or comment' which the accused may have as regards the charge against him or her. If the accused fails to answer and then, at the trial, gives some explanation or defence which could have been given at the judicial examination, the sheriff or the prosecution may draw the matter to the attention of the court and the judge or jury may draw whatever inference they may think right.

This judicial examination procedure is only used where the Crown judges the matter to be sufficiently serious to warrant such a step. The examination takes place in the presence of a judge who has absolute control over the procedure and can guard against any unfairness; the accused is also entitled to have his or her legal adviser present on every such occasion. The whole proceedings must be tape-recorded and there is an agreed procedure for resolving any dispute about the taped record or the transcript.

PARLIAMENTARY DEBATE

Government Statement

Introducing the debate (*Hansard*, Vol 140, No 213, cols 182-224), the Secretary of State for Northern Ireland, Mr Tom King, emphasised that the purpose of the proposals contained in a draft Order in Council laid before Parliament on 20 October was not in any way to remove the 'right to silence' of suspects questioned by the police or of defendants in court. 'Nothing in the draft Order will oblige an accused to make a statement, nor is there any suggestion that silence should be an offence. [Its] . . . purpose . . . is to allow the courts in certain carefully defined circumstances to draw such inferences as would be proper from an accused's silence.'

Mr King said that there was a formidable body of persuasive evidence for change, including the acknowledged difficulties faced by the police and the prosecuting authorities in bringing to justice hardened, professional criminals – often assisted by able legal advisers – who were thoroughly trained in resisting police questioning. Terrorists, moreover, published in their news-sheets detailed instructions on techniques for resisting questioning. 'That is a measure of the importance attached to silence by those who are engaged in a sustained and systematic assault on the rule of law and the institutions of our democracy.'

The Government had been impressed by the 1972 recommendations of the Criminal Law Revision Committee (see above), Mr Hurd continued. 'In many – though not all – cases it is surely reasonable to expect that an innocent man will wish to proclaim his innocence and to co-operate with the police by answering questions, and most laymen would regard a complete refusal to answer questions as suggestive of guilt.' If the Order was approved, however, it would not become mandatory to draw any inference, but only if the court or jury, properly directed by the trial judge, deemed it proper to do so.

Under the Order, the general criminal law in Northern Ireland would be amended to permit the courts in four circumstances to draw whatever inferences would be proper from the fact that an accused remained silent. The first provision was for the 'ambush' where, having remained silent during police questioning, the accused offered an explanation for his or her conduct for the first time at trial when he or she could reasonably have been expected to offer it when being questioned. The second stated that, if the prosecution could establish that there was a case to answer, the accused would have to be warned that he or she would be called to give evidence and that in the event of refusing to do so the court could draw such inferences as would appear proper. The other two provisions would have the same effect as sections 18 and 19 of the Irish Republic's Criminal Justice Act 1984 – one would allow the court to draw such inferences as would appear proper from an accused's failure or refusal to explain to the police certain specified facts such as substances or marks on clothing; the other would make similar provision where an accused failed or refused to account for his or her presence at a particular place.

Mr King emphasised that these changes would operate against the background of the established protection for a suspect's rights in police custody in Northern Ireland and the Government had in hand proposals to enhance these rights further. For those detained under the prevention of terrorism provisions, Part II of the Northern Ireland (Emergency Provisions) Act 1987 (see pp 3-4, 1987) provided comprehensive protection for the rights of suspects while in police custody. Under these provisions a person had the right to have someone informed about his or her detention and the place where he or she was being detained; the person also had the statutory right to consult a solicitor. The police were obliged to inform the person of these rights. Similar provisions for people suspected of non-terrorist offences would shortly be proposed when the Government laid a draft order before Parliament.

Concluding, Mr King pointed out that of all those detained for questioning in connection with serious crime, including terrorist offences, in Northern Ireland, just under half refused to answer any substantive question while in police custody. It was quite clear that justice was being thwarted in too many cases and this had to be remedied as soon as possible.

Opposition Views

Speaking for the official Opposition, Mr Kevin McNamara said that the Order represented such a transformation of the legal system that no-one who believed in the liberty of the citizen could support it. Paramilitary organisations could not be defeated through methods incompatible with the existence of democracy. Parliament was being asked to overturn one of the pillars of British justice. The onus of proof was being placed upon the defendant and a suspect, often without legal advice, would be required to demonstrate innocence.

Concluding, Mr McNamara said that the abolition of the 'right to silence' was likely to make no dif-

ference to the guilty but to have a detrimental effect on the innocent. The Order involved a shift of authority from the judiciary to the police and the transfer of the trial from the court to the interrogation room. It would damage the image of the police and judiciary in Northern Ireland and have the opposite effect from that which it intended.

The Social and Liberal Democratic spokesman, Mr Robert Maclennan, said that there was little evidence that the existence of the 'right to silence' brought about miscarriages of justice. The Secretary of State was casting aside not merely the practice in Northern Ireland, but a principle of English law that had existed for centuries, a principle that was crucial as a guarantee of the right of every citizen in Britain to the assumption that he or she was innocent until proved guilty.

Views of Northern Ireland Parties

Speaking on behalf of the Ulster Progressive Unionist Party, Mr James Kilfedder said that this profound change in the law in Northern Ireland should not be made in advance of a similar change to the law in the rest of Britain. Mr Kilfedder, however, agreed that hardened criminals manipulated the law to their own advantage and knew that it was better to stay silent and subsequently produce their evidence. The proposed changes were necessary to restore the balance of the law in Northern Ireland.

The Social Democratic and Labour Party spokesman, Mr Seamus Mallon, said that terrorism could not be defeated by bending the law to one's own advantage. The proposals would deprive the invidual of the right not to incriminate himself or herself. Removal of the 'right to silence' would be another step towards guilt and innocence being determined not in open court or by judges but in the interrogation rooms of police stations, a policy that would create great difficulties in Northern Ireland.

Government Reply

Concluding the debate, the Solicitor-General, Sir Nicholas Lyell emphasised that Article 2(4) of the Order stated that 'a person shall not be committed for trial, have a case to answer or be convicted of an offence solely on an inference drawn from such a failure or refusal as is mentioned'. He denied that the proposals involved a shift in the burden of proof from prosecution to defence. 'The prosecution will continue to have to prove its case according to the same high standard, which is that the court and jury should be sure beyond reasonable doubt of a defendant's guilt. Mere silence in the face of accusation will never be enough.'

The changes would allow the court or jury, applying their common sense, to draw whatever inference seemed appropriate from the silence of an accused person and to consider in doing so the comments of the prosecution and the judge. Sometimes an adverse inference would be wholly inappropriate and the judge would be expected to draw that to the jury's attention. On other occasions the failure to put forward an innocent explanation could cry out for clarification. 'To deny the jury the right to hear the comments of the prosecution, the defence and the judge on that failure and to ponder its significance before making up their minds is to introduce an artificial constraint, which is no safeguard to the innocent and provides unnecessary advantage to the guilty.'

In conclusion, Sir Nicholas said that the measures would restore some of the balance of fairness between prosecution and defence and would increase the likelihood that justice would prevail and thereby make the path of serious crime more hazardous for those striving to undermine the rule of law.

Broadcasting and Terrorism

In October the Government announced measures to prevent – with two limited exceptions – the appearance on television and radio of representatives of Northern Ireland terrorist organisations and their supporters. A debate on the measures took place in the House of Commons on 2 November, where they were approved by 243 votes to 179.

Giving details to the House of Commons on 19 October (*Hansard*, Vol 138, No 155, cols 885-95), the Home Secretary, Mr Douglas Hurd, said that representatives of paramilitary organisations and their political wings had used occasional television and radio appearances to justify their criminal activities, thereby causing widespread offence to viewers and listeners throughout Britain, particularly in the aftermath of a terrorist outrage. Since terrorists drew support and sustenance from having this access to television and radio, the Government had decided to deny 'this easy platform to those who use it to propagate terrorism'. It had therefore issued notices to the British Broadcasting Corporation (BBC) and the Independent Broadcasting Authority (IBA) requiring them 'to refrain from broadcasting direct statements by representatives of organisations proscribed in Northern Ireland and Great Britain and by representatives of Sinn Fein, Republican Sinn Fein and the Ulster Defence Association'. The notices, which had been issued under the Government's Licence and Agreement with the BBC and under the Broadcasting Act 1981, would also apply to the direct broadcasting of statements by any person supporting or inviting support for these organisations.

Mr Hurd pointed out that the notices would not apply to the broadcast of parliamentary proceedings and would have a more limited effect during elections in order not to impair broadcasters' obligations to provide an impartial coverage of elections. The restrictions followed closely the lines of similar provisions that had been operating in the Irish Republic for some years [since 1976].

The Home Secretary concluded: 'Broadcasters have a dangerous and unenviable task in reporting events in Northern Ireland. This step is no criticism of them. What concerns us is the use made of broadcasting facilities by supporters of terrorism. This is not a restriction on reporting. It is a restriction on direct appearances by those who use or support violence.'

PARLIAMENTARY DEBATE

Government Statement

Opening the debate on 2 November (*Hansard*, Vol 139, No 209, cols 1,075-1,126 and No 210, cols 1,127-1,157), Mr Hurd acknowledged that the imposition of any restrictions on broadcasting – however well justified – was a serious step, but emphasised that those who lived by the bomb and gun and those who supported them could not in all circumstances be given the same rights as the rest of the population. This was a principle that the House had accepted many times when passing legislation to give the police and the courts certain carefully limited but exceptional powers for the prevention of terrorism.

Mr Hurd said that the notices issued to the broadcasters did not restrict the second-hand reporting of events but only affected the direct access of members of these organisations and their supporters to the airwaves. 'Their activities and the words they utter can still be reported, as they are in the press, but we are denying them the ability to appear on television and thereby obtain a spurious authority and respectability.'

The notices did, however, contain two exemptions – one for parliamentary proceedings and the other for statements made during an election. Under its Licence and Agreement the BBC was charged with providing an impartial account, day by day, of proceedings in both Houses of Parliament and it would be difficult for the BBC to carry out this requirement – especially with regard to debates on Northern Ireland – if restrictions were to apply to parliamentary proceedings. The Broadcasting Act 1981 also required the Independent Broadcasting Authority to treat impartially matters of political or industrial controversy or current public policy. The BBC had undertaken to fulfil a similar responsibility in the annexe to its Licence and Agreement. In everyday circumstances, Mr Hurd said, the Government 'believe that it will be possible to carry out this requirement fully . . . as the notices will not prevent the broadcasters from reporting indirectly the activities of the organisations concerned'.

In the case of elections, however, the situation was different. The ability of candidates and their supporters to make a personal appearance on television or radio was crucial to balancing the interests of political parties in obtaining access to the electorate. The application of the restrictions during an election period, therefore, would face the broadcasters with an insurmountable conflict between their legal duty to implement the notice and the legal requirements of impartial treatment of political controversy. For these reasons, the Government had decided that a candidate representing one of the organisations concerned and his supporters should be free to make personal appearances on radio and television during election time, provided that their statements were made in support of the candidate and his constituency contest.

There would be occasions when broadcasters, as at present, would have to use their judgment in deciding whether to include particular material in a programme. One such issue concerned the question of whether a person was representing a named organisation at the time he or she appeared on the programme. Although it was true that a member of an organisation could not be held to represent it in all his or her daily activities, the key to the issue was the word 'represent'. 'When a councillor is speaking in Northern Ireland', continued Mr Hurd, 'it is not the subject about which he is talking that will decide whether his speech can be broadcast directly, but whether he is talking on behalf of one of the named organisations.'

Concluding, Mr Hurd said that direct access to television and radio by the men of violence and their supporters gave them an air and appearance of authority which spread further outwards the ripple of fear that terrorist acts created in the community. Their aim in using the media was not to persuade but to frighten. Far from being outlaws hunted by the forces of law and order, they calmly appeared on the screen and thus in the homes of their victims and the friends and neighbours of their victims. 'We are dealing not just with statements that are offensive, but with the use of the media to deliver indirect threats.'

Opposition Views

Speaking for the official Opposition, Mr Roy Hattersley said that, while the sight of an IRA supporter justifying a bomb outrage was offensive to most people, the question had to be asked whether causing gross and justifiable offence was sufficient reason for limiting the broadcasters' right to broadcast in a free society. The criterion of causing widespread offence to viewers and listeners was dangerously subjective; it was a meaningless concept and should not be used in a free society. A ban should be imposed only when damage to society was substantial and certain and could be demonstrated. In this instance, Mr Hattersley said, the terrorists had been presented with the opportunity to argue that the weapons of political debate and democratic success had been denied to them and that what they chose to call the armed struggle was the only way in which they could advance their cause.

Concluding, Mr Hattersley said that for a Government faced with the agonising responsibilities of Northern Ireland there were only two possibilities. One was capitulation, which was unacceptable to the Opposition as it was to the Government. 'The other is holding fast and steering a steady course – defeating terrorism under the law, refusing absolutely to copy the conduct of the terrorists and carefully avoiding any risk of being represented as the enemy of the liberty that the Government aim to defend. That steady course must be built on a real determination to understand and rectify real grievances. It will not be helped by the suppression of free broadcasting.'

Speaking for the Social and Liberal Democrats, Mr Robert Maclennan said that television powerfully exposed the character and motives of those upon whom it focused and that terrorists had drawn little sustenance from direct access to the public since appearances only exposed their own vulnerability.

Views of Northern Ireland Political Parties

Speaking for the Democratic Unionist Party, the Rev. William McCrea said that the restrictions should have been forthcoming from the media because of

the revulsion, resentment and hurt caused to suffering families by the appearances of the representatives and spokesmen of cold-blooded murderers. Although the measures would not solve terrorism, they were a small step that deserved support.

The Social Democratic and Labour Party spokesman, Mr Seamus Mallon, stressed the need for the protection of a free press and said that the measures would give the IRA help in garnering votes in elections and in its propaganda in the United States. The measures would not be successful since they provided an escape hatch for those not wanting to appear on television to defend the indefensible.

Shorter Note

ANGLO-IRISH AGREEMENT

A review of the working of the Intergovernmental Conference set up under the 1985 Anglo-Irish Agreement was announced by the Secretary of State for Northern Ireland, Mr Tom King, in a written statement to the House of Commons on 21 October.

The Agreement, signed on 15 November 1985 (see pp 367-74, 1985), established the Conference through which the Irish Government can put forward views and proposals on, for example, political, security and legal matters in Northern Ireland so long as they are not the responsibility of a devolved administration. Co-operation takes place between the two Governments on economic, social and cultural affairs and on measures directed against terrorism. The full Conference, which meets at ministerial or official level, is chaired jointly by the Secretary of State for Northern Ireland and the Irish Minister for Foreign Affairs.

Article 11 of the Agreement states that at the end of three years after its signature, or earlier if requested by either Government, 'the working of the Conference shall be reviewed by the two Governments to see whether any changes in the scope and nature of its activities are desirable'.

In his statement Mr King said that the review, beginning in November, would examine the whole working of the Conference and its associated secretariat to see whether any changes in the scope and nature of its activities were desirable. Leaders of the Northern Ireland political parties and the Northern Ireland spokesmen of other parties in the House would be invited to make their contributions.

Following a meeting of the Anglo-Irish Conference in Belfast on 2 November, a joint statement was issued in which both sides recognised the political importance of the review process and agreed that the main emphasis should be on a positive programme for the future to further the aims of the Agreement.

Sources: *Hansard*, Vol 138, No 201, written answers, cols 1,020-1,021; Northern Ireland Office press notices, 21.10.88 and 2.11.88.

Changes in Soviet Foreign Policy: Britain's Views

The need to continue the West's policy of unity and firmness in dealing with the Soviet Union during the economic and political reforms being undertaken there was the main theme of a speech delivered by the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, in Oxford on 27 October.

Since his accession to the Soviet party leadership in March 1985, Mr Mikhail Gorbachev has been carrying out an internal programme of reforms which includes a revitalisation of the domestic political system, based on 'openness' *(glasnost)*, political and economic restructuring *(perestroika)* and 'democratisation' of government, mainly through decentralisation. The media have become freer as shown in the amount of open criticism being allowed of the mistakes and failures in the past and of mismanagement and malpractice by party organisations. Attempts are being made to restructure the Soviet economy by cutting down unnecessary bureaucracy, allowing local managers to take the initiative in making decisions, and setting up co-operatives. At a special congress of the Soviet Communist Party in June 1988, resolutions were passed calling for reforms of the Communist Party organisation, involving the abolition of many of the party's central committee departments, the introduction of an executive President and the creation of a new elected body, the Congress of National Deputies; at an extraordinary session of the Supreme Soviet on 1 October many of these changes were adopted, including the election of Mr Gorbachev as President (while continuing his role as General Secretary of the Communist Party).

THE FOREIGN AND COMMONWEALTH SECRETARY'S SPEECH

Discussing the changes now being made in the Soviet Union under Mr Gorbachev, Sir Geoffrey said that the shape of East-West relations would be determined for years to come by their extent and their implications for the West.

Soviet Domestic Reforms

Sir Geoffrey explained that Mr Gorbachev had recognised in 1985 that the domestic and foreign policies of his predecessors had failed: the Soviet economy was in long-term decline, and 'a hidebound, secretive and often corrupt political culture [had] suppressed, or even denied the existence of, manifest economic and social problems and persecuted those who dared to question its omniscience'. Seventy years of communism had conspicuously failed to equip the Soviet Union to keep up with Western economic and technological growth, or to prevent it from falling ever further behind. *Perestroika*, therefore, was born not out of idealism but out of stark necessity and the failure of the Soviet system to deliver the goods. Mr Gorbachev's main priority was economic reform through decentralisation and a greater role for the market and individual enterprise; political reform was seen as a necessary means of improving the effectiveness of the one-party system in bringing about economic reform.

Mr Gorbachev, the Foreign and Commonwealth Secretary continued, appeared to have learned that economic liberalisation would not work without a measure of political liberalisation; he was also finding out that difficult choices had to be made and that results were slow in coming. In particular, there was the growing gap between expectations and performance because economic reform had not so far brought any results, and, for most Soviet people, *perestroika* remained just a slogan. In addition, the Soviet leader was finding that *glasnost* was a 'two-edged sword', cutting away the forces of inertia but also adding 'a sharp edge to the complaints of the Soviet housewife in a queue with higher prices at the end of it'. *Glasnost* had also enabled long suppressed national feelings – in the Caucacus and the Baltic states – to resurface and find open expression.[1] In their response, Sir Geoffrey continued, the Moscow authorities had shown a flexibility and understanding that would have been inconceivable under Mr Gorbachev's predecessors. 'It does take political maturity and vision to see in these developments the potential benefits to *perestroika* and not simply a threat to central monopoly of power,' he added.

Western Response

The West, Sir Geoffrey continued, hoped that Mr Gorbachev would be able to carry the process of reform forward, but it could not forget that the timescale of *perestroika* was not to be measured in

[1]Movements for autonomy have been formed in the Soviet republic of Armenia and the Baltic republics of Estonia, Latvia and Lithuania which were annexed by the Soviet Union in 1940. On 13 November, the Estonian Parliament voted to give itself the right to veto laws passed by the Supreme Soviet in Moscow.

months or even years, but in generations. At the same time, the West could not expect the creation of a system more closely in line with its own political and economic system. The aim of Mr Gorbachev, who remained implacably opposed to 'bourgeois democracy', was not to overthrow the one-party system, but to improve its effectiveness.[1]

The West had to recognise also that it would be a long time before political and economic changes were so well entrenched that they were no longer vulnerable to abrupt reversal if the political climate altered. Although the West should do what it could to encourage movement in the right direction, the fundamental and immensely durable differences between the two systems could not be forgotten. Economic assistance, in particular, could not be a substitute for 'thoroughgoing and permanent reform of the Soviet economy'. By all means, Sir Geoffrey said, the West could pursue economic co-operation based on commercial calculations of mutual advantage, and Britain, like other Western countries, was seeking to promote trade, including the provision of suitable credits, and wanted the substantial growth of new British business with the Soviet Union during 1987 (more than £400 million) to continue. There was, however, 'an important distinction to be drawn between that kind of mutually beneficial economic co-operation and vague and grandiose notions about providing some kind of a 'Marshall Plan' for the Soviet Union and Eastern Europe.[2] The Marshall Plan was 'a gift intended to strengthen the exhausted Western European democracies against perceived Soviet expansion', while now there was no case for such gestures by Western governments. Even in the case of commercial credits, he continued, the mistakes made in the 1970s, and the resulting debt problems of Eastern European countries, showed the need for prudence. '"Help" of the wrong kind', Sir Geoffrey said, 'will not solve Mr Gorbachev's essentially internal problem and could damage our own interests. It might, indeed, remove some of the incentive to make necessary changes.' The Soviet Union, which had plenty of resources if developed properly, was not an appropriate recipient of Western charity. What was necessary was more emphasis on market principles and a more open economy.

Soviet Foreign Policy

Sir Geoffrey recognised that the Soviet Union had legitimate interests to consider. A paramount one, understandably, was safeguarding Soviet borders and national security, though this had meant 'massive military over-insurance' in the form of a huge standing army. Other fundamental Soviet interests – including the maintenance of the Soviet Union's status as a military superpower and, in particular, strategic parity with the United States, if possible at lower cost; the development of the Soviet economy at a pace sufficient to reduce the gap with the West; a natural and traditional Russian/Soviet desire to have a say in the affairs of Europe, especially in Eastern and Central Europe; and a significant level of influence in world affairs – were unlikely to change whatever direction the process of Soviet reform took. Although Soviet interests would often not coincide with those of the West, Britain believed that 'engaging the Soviet Union as a serious partner on equal terms across the whole range of issues where we can usefully do business together offers the best chance of building a more stable and productive relationship'.

Discussing the reasons for the failure of the 'old thinking', Sir Geoffrey said that Soviet policy had not contributed to stability in East-West relations but rather the reverse, with its over-emphasis on the role of Marxist-Leninist ideology in international relations and the military aspects of security which had led to an increase in tension. Furthermore, the worldwide framework of Soviet involvement had not helped to build stability in the world in which the Soviet Union had to live. Soviet resources were strained by the cost of supporting the failing economies of East European allies and Third World friends – Cuba, Vietnam, and Mongolia – who had little of tangible value to offer in return. Military support in Afghanistan was a further drain (see pp 164-6). The economic and political failure at home had sapped credibility abroad, showing that the Soviet model was not an attractive one to the newly-industrialising countries bordering the Pacific. The credibility of Soviet foreign policy also suffered from its transparently ideological motives, with the subversive activities abroad of the KGB (the Soviet secret police) sitting ill with Soviet protestations that its foreign policy was based on 'peace and friendship', while its commitment to the 1975 Helsinki process was called into question by its own appalling domestic human rights record (see pp 159-62).

'New Thinking' in Practice

Mr Gorbachev's 'new thinking', Sir Geoffrey said, was intended 'to help achieve the objectives of . . . [his] domestic reform process by securing more effectively than in the past stability in international and above all in East-West relations; by achieving foreign policy goals with the minimum and most effective use of limited resources; [and] by enhancing that effectiveness through improving the image and credibility of Soviet foreign policy'. In a speech to Soviet diplomats on 25 July, the Soviet Foreign Minister, Mr Eduard Shevardnadze, had brought together the concepts which appeared to constitute new thinking: these comprised the idea of global interdependence and international co-operation to solve problems of common concern; the scaling-down of the role of ideology in Soviet policy and its replacement by a more pragmatic approach; recognition that the interests of other states had to be balanced with one's own; emphasis on economic and political means of safeguarding national security; and the need for democratisation of the foreign-policy-making process and the subordination of military policy to foreign policy objectives and political control.

In implementing the 'new thinking', Sir Geoffrey

[1]The programme approved by the Central Committee of the party for discussion at its plenary meeting in May 1988 states that *perestroika* presents the role of the party as 'the guiding and organising force in Soviet society . . . [and] the political vanguard of the working class and all working people'.

[2]The Marshall Plan, first proposed in 1947 by the US Secretary of State (General George Marshall), was a Programme for European Recovery in which US economic assistance helped Western Europe to recover from the ravages of the second world war. The offer was also open to Eastern Europe and the Soviet Union, but this was refused by the Soviet leader, Marshal Josef Stalin.

said, Mr Gorbachev had taken particular care to reinvest in the central United States-Soviet relationship, with a more flexible and pragmatic approach to specific problems paying dividends in terms of a marked improvement in the overall health of that relationship. There had not, however, been any relaxation in the US position, which had remained steadfast in support of Western interests. Britain's experience was similar, namely that it was possible to have good relations with Mr Gorbachev while maintaining a necessary firm stand on issues that mattered.

This more pragmatic approach was also reflected in the Soviet Union's relations with a number of other countries (including the Soviet recognition on 25 June of the European Community and the improvement of Sino-Soviet relations), Sir Geoffrey noted. Mr Gorbachev had also advanced 'eye-catching initiatives' for the promotion of Asian regional security and co-operation, although not all of these could withstand detailed scrutiny. The reality was that the Soviet Union could not as yet bring much of concrete value to these relationships.

The corollary of reinvesting in areas of central importance to the Soviet Union, Sir Geoffrey continued, was disinvestment where assets had failed to perform. The Soviet withdrawal from Afghanistan was the consequence both of the new pragmatic approach and of the determined stand of the international community and of the heroic Afghan resistance (see pp 164-6).[1] Again, because of consistent pressure from the West and interested regional powers, the Soviet Union had reassessed its failed military policies in Cambodia and Angola where the search for peaceful solutions had begun (see p 334 and pp 268-70). In addition, the Soviet Union was trying to develop relations with a wide range of governments from South America to the South Pacific instead of supporting revolutionary movements ineffectually opposed to them. It was also taking a wider view of its relations with African and Arab countries and had further enhanced its credibility as a legitimate participant in the Middle East peace process through a cautious reactivation of contacts with Israel. More generally, instead of exploiting it for propaganda purposes, the Soviet Union was now putting a new emphasis on the United Nations as a forum for resolving regional conflicts and problems of common concern to the international community. It was working constructively in the Security Council to resolve conflicts like the Iran-Iraq war (see p 333 and pp 267-8) and contributing to discussions in the Council which reflected a common purpose on the part of all five Permanent Members.

Arms Control

Sir Geoffrey said that it was striking to note how often these changes in Soviet policy happened in response to a firm and consistent adherence to principle by those with whom the Soviet Union was dealing, for example where Western firmness and unity, together with Soviet pragmatism, had led to the Intermediate Nuclear Forces (INF) Treaty (see pp 9-11). Soviet 'new thinking' acknowledged the key principle of intrusive verification on which the West had long insisted, while negotiations were now taking place on strategic nuclear and chemical weapons without the kind of histrionics displayed by the Soviet Union over INF in the past. The Soviet Union was also claiming its readiness to jettison outmoded doctrines in its approach to conventional arms control, and seemed to have accepted the principle of asymmetrical force reductions and the need for a degree of *glasnost* on defence budgets.

Soviet acceptance of these principles, however, had still to be realised in practice. Its military expenditure continued at a quite unjustifiable level, and there was no sign of a move away from the Soviet impulse to military over-insurance, spending on a per capita basis three times as much as the West did on armaments, retaining chemical and conventional forces greatly superior to those of the North Atlantic Treaty Organisation (NATO), and modernising them across the board (see pp 197-8). The Soviet Union, while criticising NATO plans to modernise its theatre nuclear weapons, did not neglect its own modernisation programmes; its tactical nuclear stockpiles were unpublished and growing, while NATO's stockpiles had been cut by 35 per cent.[1]

On arms control, therefore, the picture was a mixed one, Sir Geoffrey said. Soviet 'new thinking' had helped to make some successes possible, but these were only a beginning and the West was right to look for much more. He believed that Britain's robust approach was the right one, since its vital security interests were too closely engaged to permit it simply to take Mr Gorbachev at his word. 'Western unity of purpose and firmness of approach will continue to be essential if we are to make real progress towards a more stable military balance of lower levels of armaments.'

Soviet Relations with Europe

The solutions to these questions were of particular importance in Europe. Referring to Mr Gorbachev's talk of a common European home,[2] Sir Geoffrey pointed out that the conditions for a such a home existed in western Europe, where the frontiers were open to people and ideas and would soon be lowered completely for business,[3] and where governments governed by consent in an atmosphere of free debate. The Soviet contribution to this common home had been symbolised by the Brezhnev doctrine and the Berlin Wall, while KGB subversion overseas continued unabated.[4] There were some signs that Mr Gorbachev was prepared

[1]Following an increase of attacks by the Afghan resistance (Mujahideen) on troops loyal to the Kabul regime, the Soviet Union announced on 5 November that it would suspend the withdrawal of its forces, although repeating its commitment to withdraw all its forces by mid-February 1989. According to the Soviet Union, so far half of its forces has been withdrawn.

[1]NATO has reduced the number of nuclear warheads stocked in Europe by 2,400.

[2]The 'common European home' is one of several foreign policy ideas advanced by the 'new thinking', including the elimination of nuclear weapons by 2000, a balance of interests between states and confidence measures.

[3]By 1992 the European Community is planning to become a free internal market of goods and services (see pp 335-40).

[4]The Brezhnev doctrine, proclaimed shortly after the Soviet invasion and occupation of Czechoslovakia in 1968, tried to justify the right of the Soviet Union to intervene in socialist countries in the future through the doctrine of 'limited sovereignty'. According to this doctrine, each socialist state's sovereignty was limited by the broader interests (in particular, defence) of the 'world socialist system'.

to tolerate greater diversification in Eastern Europe which had stagnated under Soviet tutelage, and a number of Eastern European countries had already embarked on their own process of *perestroika*.[1] Soviet reforms and the changes in the European Community in 1992 would increase the pressures for change. Britain's aim would be to encourage that process to ensure that it went beyond mere changes of leadership in the countries concerned, and in its contacts with these countries would continue to speak to private citizens as well as to governments.

Noting that there were limits to the process of change in eastern Europe, Sir Geoffrey recognised that change there could cause instability in the short term and that Soviet influence would 'at the end of the day continue to be more important than any leverage we can exert'. An active but prudent policy was necessary. 'Chaos in Eastern Europe would serve nobody's interest', he pointed out, but added that 'we need to convince the Soviet Union that evolutionary change will not threaten its own fundamental interest. Long-term Soviet security will be enhanced neither by armed confrontation in Europe nor by a relationship with its Eastern European allies based on dominance and sullen dependency.' The challenge for Mr Gorbachev was to create the conditions in the eastern half of Europe to allow practical progress towards that 'common European home'. That meant 'openness about military capabilities and real willingness to eliminate Soviet conventional superiority and massive stocks of chemical weapons; real freedom for the countries of Eastern Europe to develop economically and politically; readiness to tear down the barriers to the movement of people, including the Berlin Wall; willingness to allow full and free circulation of ideas, for example by allowing entirely free access across frontiers for the printed and audio-visual media; economic reform which can ultimately lead to free trade and freely convertible currencies; [and] full respect for human rights and freedoms – along with an end to KGB subversion'.

It was because the Soviet Union's record on human rights left so much to be desired, Sir Geoffrey continued, that it was wrong to agree to its suggestion [at the Conference on Security and Co-operation in Europe in Vienna – see pp 347-9, 1986] for a human rights conference in Moscow without insisting that it met agreed Western criteria for progress. The West collectively had to be satisfied that there had been 'concrete and lasting improvements' on matters such as emigration, release of prisoners of conscience and religious freedom before Britain could agree to such a conference. The British Government welcomed the news (reported by the Chancellor of the Federal Republic of Germany at the end of his visit to Moscow in October) that the Soviet Union was to release all political prisoners by the end of 1988,[2] but the Government also awaited legislation that would permanently change the balance of the system in favour of the individual, not least on emigration.

Conclusion

Sir Geoffrey agreed that there had been changes in the Soviet Union, changes which could be deep enough to have begun reshaping the ideological drive behind Soviet foreign policy. The extent to which these changes were now entrenched was linked to the fate of the Soviet leader's economic and political reforms at home. 'New thinking may not yet be irreversible. But the longer the new Soviet approach to foreign policy persists, the longer the process of Soviet domestic reform continues, the less reversible both are likely to become.'

This 'new thinking' offered opportunities for the West since the pragmatic approach, the willingness to co-operate, to respect the security interests of others, and to seek political solutions were all long-standing elements in the Western approach to international problems. To build on this, the West had to continue its policy of unity and firmness which had brought progress on INF, Afghanistan and the Conference on Security and Co-operation in Europe (see pp 317-19, 1986), while recognising that there were limits in its capacity to influence Soviet reforms. The West also had to continue to develop contacts of all kinds (political, social, cultural and trade), while keeping up the pressure on human rights, where Soviet attitudes had been changing for the better.

Sir Geoffrey added that the West should continue to set the pace and agenda for East-West relations on other areas by testing Soviet readiness to apply new thinking to key issues like arms control. A more practical, less military basis for security was required, with both sides recognising each other's legitimate interests. Finally, the West needed to go on engaging the Soviet Union constructively on regional issues and in the many other specific areas for co-operation now opening up at the United Nations. 'We should make clear our readiness to work as partners with the Soviet Union and its allies on a basis of genuine equality. In doing so, we should calculate our interests in a hard-headed way and expect the Russians to do likewise.'

[1]On 10 November Hungary's communist government announced a new draft law legalising for the first time since 1948 political parties, trade unions and other social organisations.

[2]This was confirmed by the Soviet Union on 27 October. The West estimates that there are about 200 political prisoners in the Soviet Union; the Soviet authorities, however, maintain that there are only 11 prisoners who could be categorised as 'political'.

Britain's Relations with Poland

Britain's willingness to help Poland in practical ways once progress is made towards freedom and democracy was underlined by the Prime Minister, Mrs Margaret Thatcher, in a speech in Warsaw in November.

Mrs Thatcher visited Poland between 2 and 4 November, the first such visit by a British Prime Minister. While there, she had discussions with the Polish President, General Wojciech Jaruzelski, and the Prime Minister, Mr Mieczyslaw Rakowski, on a wide range of subjects including East-West relations and economic and political reforms in Poland. Mrs Thatcher also had discussions in Gdansk with Mr

Lech Walesa and other leaders of the banned trade union, Solidarity.[1]

Prime Minister's Speech

In a speech at an official dinner on 3 November, Mrs Thatcher reflected on Poland's European heritage and said Britain wanted to see the barriers which had divided Europe for the last 40 years dismantled so that Poland and other Eastern European countries could once again share fully in Europe's culture, freedom and justice.

Britain and Western Europe wanted more contacts with Poland of all sorts, and to see the peoples of Eastern Europe play a much fuller part in the life of Europe as a whole, especially through the expansion of economic and trade links with the European Community. Western Europe welcomed the 'bold and courageous reforms' being undertaken by the Soviet President, Mr Mikhail Gorbachev, and hoped they would succeed.[2]

Mrs Thatcher said that Britain hoped that agreement would soon be reached at the meeting in Vienna between the representatives of countries of the North Atlantic Treaty Organisation (NATO) and the Warsaw Pact on a mandate for talks on Conventional Security in Europe (see p 199 fn)[3] which would enable them to tackle the substantial imbalance in conventional forces heavily in favour of the Warsaw Pact (see pp 195-202). If these talks were to succeed, she stressed, 'we shall need to be frank with each other, frank about the numbers of troops and weapons on each side – a frankness which was never achieved by the Warsaw Pact in the earlier and unsuccessful [MBFR] talks'. It was also necessary to see basic human rights, enshrined in the 1975 Helsinki Final Act signed by all the Warsaw Pact countries (see pp 159-62), genuinely and fully respected. The West, she pointed out, when it was contemplating closer relations with other countries, judged countries by how they treated their own citizens. 'We shall not reach the trust and confidence we need for full-hearted co-operation', she emphasised, 'until those rights are entrenched and observed as part of the way of life of the countries of Eastern Europe and of the Soviet Union; until all enjoy freedom under the law – a law which applies not only to those who are governed, but to those who govern as well.'

In modern societies, Mrs Thatcher continued, success depended upon openness and free discussion, and if a society suppressed those things it would be unable to respond to the need for change. Reform was never easy or free from painful consequences, but the cost of failing to carry through change and reform could be even more painful and prolonged. She welcomed the Polish Government's plans to remove the restrictions which restrained individual and collective initiative, to offer greater incentives and to reduce interference from bureaucracy in its economic reforms. But, she added, one of the lessons of the world since 1945 was that greater prosperity came to those nations – the United States, countries in Western Europe and Japan – that had greater freedom. Experience showed that higher growth, the release of enterprise, greater effort and a full commitment to reform could only come when people were given dignity, personal and political liberty, freedom of expression and of association, and the right to form free and independent trade unions.

At the same time, Mrs Thatcher said, freedom incurred 'responsibility to greater effort; to accept the hardships and dislocations which inevitably go with far-reaching change; [and] to make the commitment necessary to restore the nation's prosperity. Freedom and responsibility go hand in hand. Those who seek the one must be prepared to offer the other.' In Poland, she said, it was vital that there should be 'a real dialogue with representatives of all sections of society, including Solidarity', since people had to be involved in decisions about the way forward, and had to be given freedom to choose. The chances were that they would then make the right choices. When that happened, Poland's friends would be ready to help in practical ways by supporting an economic programme worked out with the International Monetary Fund (IMF), by offering credits, and by rescheduling debts. In addition they would be willing to encourage investment in Poland, establish joint ventures and increase contacts.

Background

Poland is Britain's main trading partner in Eastern Europe outside the Soviet Union with bilateral trade in 1987 of £485 million, exports totalling £181 million and imports £303 million. Trade agreements signed in 1988 include a new joint venture involving the building of mainframe computers in Poland, and, in return, the export of Polish furniture. In a similar venture in that country, a British company is to set up a joint coal recovery operation under an agreement worth nearly £270 million.

Poland has a large national debt (almost £22,900 million), three-quarters of which (some £16,500 million) is with Western creditors (mainly Western governments but also commercial banks). Britain's share of this is around £1,000 million. Poland is seeking IMF and World Bank loans to modernise its economy and to service its existing debts. To finance export-led industries, negotiations are taking place with the World Bank for an industrial complex worth $250 million and an agricultural processing complex worth between $70 and $75 million.

[1] In 1980-81, the growth of the independent trade union in Poland led to pressure being put on the Polish authorities by the Soviet Union; in December 1981 martial law was imposed and Solidarity banned. Subsequently, Solidarity was dissolved under a new law in October 1982; martial law was suspended at the end of 1982 (see pp 7-12, 1983).

[2] Mr Gorbachev was elected President on 1 October 1988 by the Supreme Soviet (see p 364).

[3] These negotiations are designed to establish a stable, secure and verifiable level of NATO and Warsaw Pact forces in the whole of Europe from the Atlantic to the Urals by reducing the capabilities for surprise attack and large-scale offensive action; the Mutual and Balanced Force Reductions in Europe (MBFR) negotiations involve only conventional forces in central Europe.

Shorter Notes

VIETNAMESE REFUGEES IN HONG KONG

In August and October 1988, the British Government had two meetings with representatives of the

Governments of Hong Kong and the Socialist Republic of Vietnam to discuss solutions to the problems created by the number of 'boat people' from Vietnam trying to enter Hong Kong.

These meetings followed the introduction by the Hong Kong authorities on 16 June 1988 of a new policy under which the majority of Vietnamese boat people arriving in Hong Kong are, after screening based on United Nations High Commissioner for Refugees (UNHCR) procedures and criteria for determining refugee status established under international law, detained as illegal immigrants pending their return to Vietnam (see pp 230-1).

At the first meeting in Hanoi on 3 and 4 August 1988 it was agreed that realistic and effective measures to bring the outflow of boat people from Vietnam to an end were urgently required. At another in London on 11 and 12 October, the two sides agreed that, while some progress had been made in stemming the outflow, it was essential to continue and, if necessary, reinforce these efforts. Recognising the value of the existing Orderly Departure Programme (worked out in 1979 by Vietnam and other countries, including Britain) as the main channel for Vietnamese who wanted to leave and settle in other countries, the three governments called on other countries to increase their own efforts to accept Vietnamese eligible for resettlement from Hong Kong.

On the question of boat people arriving in Hong Kong after 15 June who did not qualify for resettlement elsewhere, all sides accepted the need for comprehensive arrangements for these people, and agreed to make an immediate start on phased returns to Vietnam for those who had applied to return. A list of those whose documentation had been processed by the UNHCR was handed over to the Vietnamese representatives by the British Government. They also recognised that the arrangements would pose practical problems for the Vietnamese Government, and the British Government was ready to agree in principle to extend financial assistance towards the organisation of repatriation to, and resettlement in, Vietnam. The UNHCR is to be invited to participate in the implementation of the agreement on the basis that the arrangements should be carried out in a humanitarian way.

Source: Foreign and Commonwealth Office press notice, 12.10.1988.

AID TO UNITED NATIONS VOLUNTARY FUNDS

At the annual United Nations (UN) Pledging Conference in New York on 2 November, Britain announced contributions to UN voluntary funds amounting to £39·55 million.

Britain's pledge of £26 million for the UN Development Programme, the UN's central funding agency for technical co-operation, represents an increase of £1·5 million over the contribution for 1988. The pledge of £8 million for the UN Children's Fund (UNICEF) is an increase of £500,000 over the 1988 contribution; Britain also contributes separately to UNICEF's special appeals. The UN Population Fund is to receive £5·5 million from Britain in 1989, £250,000 more than in 1988; and a pledge of £50,000 to the UN Development Fund for Women maintains the level of Britain's contribution in 1988.

Source: Overseas Development Administration press notice, 2.11.88.

BRITISH VOLUNTARY AGENCIES

The Minister for Overseas Development, Mr Chris Patten, announced on 25 October that the Government would give a further £3 million to support the work of British voluntary agencies overseas in the current financial year (1988-89).

In a speech to the annual conference of the Save the Children Fund, Mr Patten announced that up to £2·5 million would be made available to British non-governmental organisations (NGOs) to support rehabilitation projects for victims of the floods in Bangladesh, where Britain has already made £7·5 million available in emergency relief (see p 341). He also announced the allocation of a further £500,000 to support projects in developing countries (including humanitarian projects in Cambodia) that were put forward by British voluntary agencies for support by the Overseas Development Administration (ODA) through its Joint Funding Scheme; £10·7 million has already been made available by the ODA in the current financial year for the Scheme, under which the ODA meets half the costs of approved long-term development projects mounted by British NGOs.

Source: Overseas Development Administration press notice, 25.10.88.

AID AND TRADE AGREEMENTS WITH CHINA

The Government has signed six agreements with the People's Republic of China for contracts worth £56 million to be supported by funds from the British aid programme's Aid and Trade Provision (ATP; see p 305). These commitments have been made under the new ATP agreement signed with China in September, by which funds can be provided for development projects with a total value of up to £300 million. The six agreements are as follows:

1 A concessional loan of about £25 million to finance the construction of a cold rolling mill and three foil mills by Davy McKee (Poole) for the Bohai Aluminium Plant. Aid funds will be drawn from a soft loan agreement made between Britain and China in 1986; and loan finance will also be provided by Midland Bank plc, guaranteed by the Export Credits Guarantee Department (see p 72).

2 A grant of £1·2 million for a new urban traffic control system in Peking set up by Plessey UK Ltd.

3 A grant of £2·1 million for the provision of equipment and services for a new flour mill in Shanghai by Henry Simon Ltd.

4 A grant of £700,000 towards equipment and training for the manufacture of non-woven carpet and paper-makers' felts at Fushun, which is being provided by William Tatham Ltd.

5 A grant of £2·1 million towards the establishment of facilities to manufacture infant rusks and biscuits at five factories, which is being assisted by APV Baker FES Ltd.

6 A grant of £1·9 million for the supply by Mather Machinery Co Ltd and Platt Saco Lowell (UK) Ltd of equipment, designs and training for the production of woven and polyester cottons at Jinzhou.

Source: Overseas Development Administration press notice, 3.11.88.

National Accounts 1987

The British economy continued to expand in 1987 – by a little over 4 per cent. Output grew particularly sharply in manufacturing, construction and services. There were also substantial increases in consumers' expenditure, company profits and fixed investment.

The National Accounts 'Blue Book',[1] published on 9 September, gives revised figures for national income, expenditure and output for each of the 11 years from 1977 to 1987, with summary tables going back to 1966. The base year for all constant price estimates has been changed from 1980 to 1985. Rebasing takes place every five years in order to ensure that constant price estimates continue to reflect adequately changes in the structure of prices. On this occasion, however, rebasing has made little difference.

This year's Blue Book also contains summary input-output tables for 1984. These show the flows of goods and services in the economy, illustrating the relationships between producers and consumers and between different industries. They are consistent with the more detailed analysis found in *Input-output tables for the United Kingdom 1984* (see p 215).

Gross Domestic Product

Gross domestic product (GDP) at factor cost,[2] after allowing for inflation, increased by just over 4 per cent between 1986 and 1987 (see Table 1) to a level nearly 16 per cent above the previous peak, reached in 1979. Since the trough of 1981 the annual rate of growth has averaged 3 per cent.

The average measure of GDP at current market prices (the prices that consumers pay for goods and services) – money GDP – rose by well over 9 per cent between 1986 and 1987.

In 1987 the increase in GDP – both at factor cost and at market prices – attributable to inflation was some 5 per cent.

GDP and gross national product (GNP – equal to GDP plus net property income from abroad) in 1987 are analysed according to category of expenditure and by market prices and factor cost in Table 2.

[1] *United Kingdom National Accounts 1988 Edition.* Central Statistical Office. HMSO, £11·95. ISBN 0 11 620295 5.

[2] The total net value received by producers for goods and services produced, after deducting indirect taxes and adding subsidies. (GDP is here a simple average of the three estimates based on income, expenditure and output data.)

Output by Industry

Manufacturing output grew by almost 6 per cent in 1987 (see Table 3). Production increased in all manufacturing sectors, notably paper, printing and publishing (by 10 per cent), metals (by 8 per cent), motor vehicles and parts (by 8 per cent), other transport equipment (by 9 per cent) and 'all other manufacturing' (by 11 per cent). Output in construction rose by nearly 8 per cent and in services by a little over 5 per cent. Within services, financial and business services recorded an increase of 10 per cent; distribution, hotels and catering, and repairs showed a growth of over 6 per cent, as did transport and communications. Output of agriculture, forestry and fishing fell by 1 per cent and that of energy and water supply also declined slightly.

Personal Income, Expenditure and Saving

Total personal income rose by more than 7 per cent in 1987 (see Table 4). Income from employment and from self-employment both increased by over 8 per cent. Prices as measured by the consumers' expenditure deflator rose by 3·8 per cent and real personal disposable income by 3 per cent.

With consumers' expenditure growing by more than personal disposable income, the saving ratio (saving as a percentage of personal disposable income) fell from 7·3 per cent in 1986 to 5·4 per cent in 1987 – its lowest since the 1950s.

Consumers' expenditure in volume terms increased by more than 5 per cent in 1987. Spending on durable goods rose by 7 per cent, with expenditure on vehicles growing by 10 per cent. There was increased expenditure on all goods and services except tobacco. The rise for clothing other than footwear was 8 per cent and for 'other goods' (non-durable) 9 per cent.

Companies

Gross trading profits (net of stock appreciation) of North Sea oil companies in 1987 were 13 per cent higher than in 1986 but still only just over half their 1985 level, reflecting the continuing low price of oil. Those of other industrial and commercial companies increased by 20 per cent; however, this growth was partly the consequence of privatisation. In 1987 industrial and commercial companies had a financial surplus (broadly, undistributed income minus fixed investment and increases in stock values) of £9,100 million compared with one of £5,400 million in 1986.

Table 1

Average Measures of Gross Domestic Product

	1977	1982	1986	1987
at constant factor cost (1985=100)	87·7	91·4	103·0	107·4
at constant market prices (1985=100)	87·2	91·3	103·2	107·7
at current factor cost (£000 million)	128·9	237·3	322·2	352·2
at current market prices (£000 million)	145·4	278·0	378·8	414·5

Table 2

Analyses by Expenditure of Gross Domestic Product and Gross National Product in 1987

	£ million
At market prices	
Consumers' expenditure	258,431
Central government final consumption	51,689
Local authorities' final consumption	34,083
Gross domestic fixed capital formation	70,767
Value of physical increase in stocks and work in progress	627
Total domestic expenditure	415,597
Exports of goods and services	107,506
Total final expenditure	523,103
Less imports of goods and services*	−112,030
GDP (average measure) at market prices†	414,455
Net property income from abroad	5,523
GNP (average measure) at market prices†	419,978
At factor cost	
Adjustment of GDP at market prices to factor cost‡	62,218
GDP (average measure) at factor cost	352,237
GNP (average measure) at factor cost	357,760

*Excluding taxes on expenditure levied on imports.
†Including taxes on expenditure levied on imports.
‡Taxes on expenditure less subsidies.

Table 3

Index Numbers of Output (at Constant Factor Cost)

1985=100

	1986	1987
Agriculture, forestry and fishing	100·8	99·4
Energy and water supply	105·3	105·0
Manufacturing	100·9	106·6
Construction	100·9	108·7
Services	103·5	108·8
GDP (output measure)	102·9	107·7

Table 4

Personal Income and Expenditure *£ million*

	1986	1987
Income from employment	209,542	226,343
Income from self-employment*	30,485	32,959
Rent, dividends and net interest	31,267	33,894
Current grants from general government (including social security benefits)	50,729	52,478
Other†	2,304	2,254
Total personal income*	324,327	347,928
Deductions from income:		
British taxes on income	40,918	44,074
Social security contributions	26,033	28,449
Current transfers	1,877	2,099
Personal disposable income	255,499	273,306
of which:		
Consumers' expenditure	236,756	258,431
Saving	18,743	14,875

*Before providing for depreciation and stock appreciation.
†Other current transfers and the imputed charge for capital consumption of private non-profit-making bodies.

Wealth

At the end of 1987 net national wealth (consisting of tangible assets and overseas assets less liabilities) amounted to £2 million million, 12 per cent more than a year earlier. Of the 1987 total, residential buildings comprised £830,000 million, other land, buildings and works £570,000 million, vehicles, plant and machinery £300,000 million and stocks and work in progress £100,000 million.

The personal sector accounted for 77 per cent, companies for 11 per cent, public corporations for 5 per cent and general government for 8 per cent.

Fixed Investment and Stockbuilding

Gross domestic fixed capital formation (fixed investment) grew by almost 6 per cent in volume terms in 1987, with increased investment in every type of asset. Investment in road vehicles, railway rolling stock, ships and aircraft rose by 8 per cent, in plant and machinery by 7 per cent, in dwellings by 4 per cent and in other new buildings and works by 3 per cent. The growth in investment by the private sector more than offset the declines recorded by public corporations and general government.

By industry, there were large increases for distribution, hotels and catering, and repairs (17 per cent), financial and business services (14 per cent) and manufacturing (7 per cent). These were partly offset by declines for certain other sectors, notably agriculture, forestry and fishing, and mineral oil and natural gas extraction (both down by nearly one-quarter).

Measured in 1985 prices, the level of stocks and work in progress rose by £560 million in 1987 – slightly less than in 1986. Manufacturing recorded a fall as did agriculture and forestry, and energy and water supply (other than mineral oil and natural gas extraction), but there were increases in almost all other industries.

Autumn Statement

Presenting his Autumn Statement to the House of Commons on 1 November, the Chancellor of the Exchequer, Mr Nigel Lawson, announced that public expenditure in the current financial year was now likely to be more than £3,000 million below its forecast level. In 1989-90 spending was to be held to the forecast figure of about £167,000 million although increased sums were being made available to priority programmes including health. For 1989 a slowing in the rate of economic growth was cast and a slight fall in the deficit on the current account of the balance of payments. The public finances were expected to remain in substantial surplus.

The Chancellor was delivering the customary Autumn Statement on the expected outturn for public expenditure in the current financial year and government plans for the next three, as well as changes in National Insurance contributions for the following financial year (*Hansard*, Vol 139, No 208, cols 823-41). He was also publishing the economic forecast for the next calendar year as required by the Industry Act 1975 (see p 487, 1975). These are brought together in a single document (the 'Grey Book').[1]

[1] *Autumn Statement 1988*. HM Treasury. HMSO, £7·30. ISBN 0 10 269588 1. This year's Autumn Statement has been expanded, following proposals made in a White Paper in July (see pp 273-4), to contain some of the material previously published in the public expenditure White Paper, which is to be discontinued.

Public Expenditure

The public expenditure planning total for the current financial year, 1988-89, was likely to amount to £153,600 million (see Table 1) – £3,200 million less than allowed for in the last public expenditure White Paper.[1] Only around £250 million of the £3,500 million provided for in the reserve was likely to be needed. The main reasons for the shortfall, been set £3,300 million above the previously published figure – at £179,400 million (see Table 2). The 1991-92 planning total would be £191,600 million. Both totals included the same levels for the reserve as in last year's plans – £3,500 million in the first year, £7,000 million in the second and £10,500 million in the third. They also included unchanged privatisation proceeds of £5,000 million a year.

Table 1

General Government Expenditure *£000 million*

	1987-88 outturn	1988-89 forecast in 1988 Budget	1988-89 latest forecast
Public expenditure planning total	145·7	156·8	153·6
Interest payments	17·5	17·5	17·7
Other adjustments	8·2	8·6	9·6
Total	171·5	182·9	180·9
of which			
Privatisation proceeds	−5·2	−5	−6

Mr Lawson explained, were higher than expected government revenues, notably an extra £1,000 million in privatisation proceeds; a reduction in social security spending of almost £1,000 million, which resulted from the sharper than expected fall in unemployment; and a saving of some £750 million, largely because of extra housing receipts under the council tenants' right-to-buy programme (see p 332, 1987).

Taken together with the strong economic growth in the present year and the containment in debt interest now that the Budget was in surplus, this meant that public spending in 1988-89, excluding privatisation proceeds, would – for the first time in over 20 years – amount to less than 40 per cent of national income. 'Not so long ago', Mr Lawson pointed out, 'the share of national income spent by the state seemed to rise inexorably. Over the past six years, that trend has been decisively reversed.'

Since 1982-83, public expenditure, excluding privatisation proceeds, as a share of national income had fallen by seven percentage points – the largest and most sustained decline since the wartime economy had been unwound. The present plans ensured that public spending over the next three years would keep as close as possible to the existing planning totals and should continue to fall in relation to national income.

For 1989-90 the planning total would be £167,100 million – as published in the last public expenditure White Paper. This outcome had been made possible – despite the large number of claims for increased spending – by 'a rigorous reassessment of priorities' coupled with savings from a reduced level of unemployment and increased receipts from sales of council houses.

For 1990-91, however, although these two factors would continue to operate, the planning total had

[1]See article on pp 49-53, later reproduced as COI reference paper *Britain's Public Expenditure Plans 1988-89 to 1990-91*, No 240/88.

Over the whole three-year period, growth in spending on programmes in real terms would be over 3 per cent a year. This could only be afforded, the Chancellor explained, because of the fall in the burden of debt interest brought about by the 'dramatic improvement' in the Government's finances in moving from deficit to surplus. As a result, overall public expenditure, excluding privatisation proceeds, would increase by under 2 per cent a year – well within the prospective rate of growth in the economy as a whole. Therefore, public spending, excluding privatisation proceeds, would continue to decline as a proportion of national income. However, substantial amounts – additional to those set out in the last public expenditure White Paper – were being made available in priority areas.

Increases in Programmes

An extra £1,250 million was being provided for the National Health Service (NHS) in England in 1989-90 and an additional £1,500 million in 1990-91. There would be corresponding increases in Scotland, Wales and Northern Ireland. In addition, health authorities were expected to receive an extra £100 million a year from sales of surplus land. Continued cost improvements at the rate of recent years would yield a further £150 million in 1989-90 and twice that amount the following year. A reduction in NHS employers' superannuation contributions in England and Wales, as recommended by the Government Actuary, would give rise to annual savings of another £300 million. The increases in allocation for the health service in Britain would be over £2,000 million in 1989-90 and over £2,500 million in 1990-91. 'These are by far the largest increases the health service has ever received', Mr Lawson told the House. The growth in real resources for the NHS between 1988-89 and 1989-90 should amount to about 4·5 per cent.

Table 2

Public Expenditure Plans from 1988-89 to 1991-92 *£ million*

	Estimated outturn 1988-89	Plans 1989-90	1990-91	1991-92
Ministry of Defence	19,300	20,120	21,180	22,090
Foreign and Commonwealth Office				
Diplomatic wing	750	770	810	850
Overseas Development Administration	1,480	1,540	1,630	1,690
European Community	950	1,970	1,950	1,580
Ministry of Agriculture, Fisheries and Food	1,860	1,950	2,160	2,350
Department of Trade and Industry	1,700	1,360	1,340	1,160
Export Credits Guarantee Department	110	180	120	60
Department of Energy	220	−250	−510	620
Department of Employment	4,120	4,020	3,960	3,960
Department of Transport	4,810	5,360	5,540	5,660
Department of the Environment				
Housing	2,050	1,710	2,040	2,380
Other environmental services	4,380	4,480	4,560	4,700
Home Office	6,280	6,900	7,220	7,390
Legal departments	960	1,080	1,170	1,240
Department of Education and Science	18,440	19,570	20,240	20,770
Office of Arts and Libraries	980	980	1,010	1,050
Department of Health	21,740	23,160	24,380	25,390
Department of Social Security	47,600	51,000	55,300	58,700
Scotland	8,720	8,970	9,140	9,680
Wales	3,600	3,790	3,900	4,010
Northern Ireland	5,160	5,470	5,690	5,910
Chancellor's departments	3,670	4,080	4,280	4,490
Other departments	360	320	340	350
Reserve	–	3,500	7,000	10,500
Privatisation proceeds	−6,000	−5,000	−5,000	−5,000
Adjustment	330†	–	–	–
Planning total	153,600	167,100	179,400	191,600
General government gross debt interest	17,700	17,000	16,000	15,500
Other national accounts adjustments	9,600	9,500	9,500	9,000
General government expenditure	180,900	193,700	205,000	216,000

†For the difference between the assessment of the likely outturn and the sum of the other items shown.

Note: Differences between totals and the sums of their component parts are due to rounding.

An extra £220 million was being provided in 1989-90 for building and repairing motorways and trunk roads and for repairing bridges. A further £250 million was being allocated in the following year.

Gross provision for public sector housing investment was being raised by around £440 million in 1989-90 and by £340 million in the following year. However, these sums would be more than financed by additional receipts from council house sales.

An extra £290 million was being made available for law and order in 1989-90 and £430 million in 1990-91, mainly for additional prison building. This would lead to an extra 3,000 places by 1991-92. Provision for local authority spending on the police had been increased by £240 million in 1989-90.

Expenditure on defence would rise by £150 million in 1989-90 and by £600 million in the following year.

The fall in unemployment had led to savings of over £1,500 million in the social security budget in both 1989-90 and 1990-91. But substantial increases in planned spending on other benefits, particularly for the disabled, meant that the programme, compared with previous plans, would be only marginally reduced in 1989-90 and some £1,700 million higher in 1990-91.

The balance of public support for science and technology had been altered within an increased spending total. In particular, expenditure by the Department of Education and Science would grow by £120 million a year with the science budget increasing by 16 per cent in 1989-90. 'This reflects the importance the Government attach to basic and strategic research.'

There would be a rise of £2,500 million in public sector capital spending in 1989-90. This included extra investment in hospitals, housing, prisons and roads. There would be increased investment by the nationalised industries in, for example, anti-pollution measures by the water authorities (see p 272, 1987).

The strengthening of priority programmes within an unchanged planning total for 1989-90, the Chancellor explained, was in large measure a reflection of the success of government policies.

Table 3

Economic Prospects

	Outturn 1987	Forecasts 1988	1989
Output and expenditure at constant prices (percentage increase on previous year)			
Domestic demand	4·5	6	3
of which			
Consumers' expenditure	5	5·5	3·5
General government consumption	1	0·5	−0·5
Fixed investment	5·5	12	5·5
Exports of goods and services	5·5	1·5	5·5
Imports of goods and services	7·5	12	4·5
Gross domestic product	4	4·5	3
Manufacturing output	6	7	4·5
Balance of payments			
Current account (£000 million)	−2·5	−13	−11
Inflation			
Retail prices index (percentage increase between fourth quarters of successive years)	4	6·25	5

Table 4

Public Sector Debt Repayment *£000 million*

	1987-88 outturn	1988-89 forecast in 1988 Budget	1988-89 latest forecast
General government expenditure	171·5	182·9	180·9
General government receipts	173·6	184·9	188·6
General government debt repayment	2	2	7·8
Public corporations' market and overseas debt repayment	1·6	1·2	2
Public sector debt repayment (PDSR)	3·6	3·2	9·8
As a percentage of gross domestic product (GDP)	0·75	0·75	2
PSDR excluding privatisation proceeds as a percentage of GDP	−0·25	−0·5	0·75

National Insurance Contributions

Following the announcement on the uprating of social security benefits (see pp 384-6), Mr Lawson outlined the changes in the earnings limits for National Insurance contributions from April 1989. The lower limit for Class 1 contributions[1] would be raised from £41 to £43 a week, in line with the single person's pension, while the upper limit would be increased from £305 to £325. The upper limit for the 5 per cent contribution band would be raised from £70 to £75 a week and that for the 7 per cent band from £105 to £115. The upper limit for the 9 per cent band (for employers' contributions) would be increased from £155 to £165 a week.

The Treasury supplement to the National Insurance Fund – currently 5 per cent – would be abolished but, because of the healthy state of the Fund, this would not require any increase in contribution rates.

[1]There are four classes of National Insurance contribution. Class 1, paid by employees and employers, covers the bulk of the working population. Two of the other classes cover the self-employed while the fourth may be paid voluntarily for pension purposes.

Economic Forecast

Presenting the Industry Act forecast (see Table 3), the Chancellor said that the outturn for growth in 1988 was likely to be 4·5 per cent compared with the 3 per cent forecast in the Budget.[2] Investment was particularly strong, growing twice as fast as consumption, with manufacturing investment expected to show the largest rise of all – 18 per cent. Over the last five years total investment had grown almost twice as fast as consumption. 'The continuing vigour of the British economy is testimony to the transformation that has taken place in the supply side of the economy; a transformation which has enabled the seven years to 1988 to record a combination of strong and steady growth unmatched since the war', Mr Lawson declared.

[2]See article on pp 135-40, later reproduced as COI reference paper *Britain's Budget 1988*, No 241/88.

As a result, unemployment had been falling rapidly. Since the middle of 1986 it had declined by almost 1 million – the largest fall ever recorded. Over the past year it had fallen faster than in any other major economy.

The annual rate of inflation, as measured by the retail prices index (RPI), was likely to amount to a little over 6 per cent in the fourth quarter of 1988. Part of the increase reflected the impact on mortgage payments of the rise in interest rates needed to tighten monetary policy and so bring down inflation (see below). Excluding mortgage interest payments, the annual rate of inflation in the fourth quarter was likely to be around 5 per cent compared with the Budget forecast of a 4 per cent rise in the RPI.

Exports had continued to perform well, manufactured exports having risen by 7·5 per cent over the past year. Over the last seven years Britain's share of world trade in manufactures had remained steady after decades of decline. However, with investment and consumption both growing strongly, imports had increased faster than exports, growing by 13 per cent between the third quarters of 1987 and 1988. This had led to a substantially higher deficit on the current account of the balance of payments than had been forecast in the Budget. The 1988 outturn now seemed likely to be around £13,000 million – equivalent to 2·75 per cent of gross domestic product (GDP).

With growth in 1988 higher than expected, tax revenues were likely to exceed the Budget forecast by £3,500 million. Income tax and value added tax had been particularly buoyant. The Budget had provided for a public sector debt repayment (PSDR) in 1988-89 of some £3,000 million – equivalent to some 0·75 per cent of GDP (see Table 4). With higher than expected government revenues and lower than expected public expenditure, the PSDR now looked likely to be about £10,000 million – equivalent to over 2 per cent of GDP. This would be the second successive year of debt repayment – something that had not been achieved since records began in the early 1950s. Moreover, even without privatisation proceeds, the Budget would still have been in surplus by about £4,000 million. 'No other major economy has such sound public finances.'

The Chancellor forecast growth in 1989 at 3 per cent, with domestic demand increasing by the same amount. Investment was once again expected to grow considerably faster than consumption, and unemployment to fall.

The forecast of a slowing in growth in 1989 implied a marked deceleration during the course of the year, especially with regard to domestic demand. Thus, between the second halves of 1988 and 1989, growth was forecast at 2·5 per cent and the rise in domestic demand at 1·5 per cent.

The current account deficit was likely to decline only slightly in 1989 – to some £11,000 million or 2·25 per cent of GDP.

Inflation would inevitably continue to edge up for some months but was forecast to peak during the middle of 1989 before falling back to an annual rate of 5 per cent by the fourth quarter.

Summarising, Mr Lawson said that, following two years of unexpectedly rapid expansion, growth in 1989 was forecast to return to a sustainable level but one which compared favourably with that achieved in the 1970s. Inflation would resume its downward trend. The public finances would remain in substantial surplus, with public expenditure on priority programmes continuing to increase. Total public spending would continue to fall as a share of GDP, to a level in 1991-92 not seen for a quarter of a century. 'The prospect that lies before us is yet further testimony to the success of the policies we have been pursuing these past nine-and-a-half years and will continue to pursue, and to the economic transformation that those policies have wrought.'

OPPOSITION VIEWS

For the official Opposition, Mr Gordon Brown said that the Autumn Statement compounded the errors of the Budget and condemned an already congested Britain to further deterioration in its public services. Through its neglect of investment and its policy of high interest rates, it left the economy unprepared for the challenges of the 1990s.

Mr Alan Beith, for the Social and Liberal Democrats, welcomed the additional funds for the NHS but was concerned that more money was being taken out of housing as a result of council house sales than was being put back.

Chancellor's Mansion House Speech

Speaking at the Lord Mayor's Banquet for Bankers and Merchants of the City of London at the Mansion House on 20 October, the Chancellor of the Exchequer, Mr Nigel Lawson, said that the increasingly global nature of financial markets meant that recent current account imbalances could persist for some time as countries were not dependent solely on domestic savings to finance investment. In Britain, the effectiveness of a tightening of monetary policy was already being seen in the easing of pressures in the housing market. However, it would take some time for the full impact of this tightening to be felt.

Global Markets

The last few years, the Chancellor said, had seen the onset of a degree of freedom in financial markets that had not existed since before the first world war. The development of information technology had completed the realisation of global financial markets. The consequences went to the very heart of the conduct of economic policy, with the amount of mobile capital far larger than ever before.

This made for a number of advantages. Savers had an increased range of opportunities and borrowers had access to an enlarged pool of funds. There was therefore no reason why investment had to be financed exclusively from domestic sources. Net international capital flows were inevitable and desirable and could persist for some years in the same direction, with current account imbalances

the counterpart. Similarly, the scale of these capital flows and the fact that domestic savers and foreign lenders could move their funds to other countries imposed a discipline on policy – irrespective of the state of the current account.

Monetary policy had had to adapt, the expansion in international capital flows having increased the potential for exchange rate volatility, as with the dollar. As a result, all the major countries had recognised the need for policies that would promote a reasonable degree of exchange rate stability. For over three years (see pp 317-18, 1985) there had been international co-operation to that end.

But the discipline imposed by capital mobility extended beyond the exchange rate, Mr Lawson explained. To attract the savings – whether from home or overseas – to finance investment, countries had to pursue policies that commanded the confidence of investors. This clearly meant sound fiscal and monetary policy and a firm stand against inflation. But it also meant regulatory and tax policies that made for business success. It was with this in mind that far-reaching tax reforms had been introduced in the last Budget (see pp 137-40).

Single European Market

This conclusion had profound implications for the completion in 1992 of the single European market (see p 337), the Chancellor went on. The European Community could adopt one of two routes: liberalisation and deregulation to the greatest practicable extent, with markets open to the world; or inward-looking bureaucratic imposition of some kind of average of the existing practices in the various member states. It was vital that the first approach be followed. The Community could not insulate itself from the global market; moreover, the benefits of free trade would be endangered if the Community failed to respond to the challenges of such a market.

In financial services – more than in almost any other sector – all countries would stand to lose if the Community tried to erect a wall between itself and the rest of the world: business would simply go elsewhere. For this reason, Mr Lawson said that those Community countries that had not already done so should abolish the remaining restrictions on capital movements not just with other member states but with the rest of the world as well (see pp 339-40),

However, the Chancellor rejected the view that European monetary union – that is, the adoption of a common currency – was a prerequisite for the single market. A common currency could only follow – not precede – political union (see p 337).

Funding and Monetary Policy

Britain had moved from public sector borrowing to public sector debt repayment. Mr Lawson pointed out that in 1987-88 – for only the second year since the early 1950s – Britain had run a budget surplus. In 1988-89 the surplus would be even larger; a substantial surplus was also planned for 1989-90. In these circumstances the Bank of England was required to purchase government securities rather than to sell them. Accordingly, there would be no more auctions of government securities in the foreseeable future.

The strength of the public finances provided 'an important buttress to monetary policy in the fight against inflation'. The British economy had 'forged ahead' since the 1987 world stock market crash (see pp 368-9, 1987) but, as far as monetary policy was concerned, progress had not always been smooth. Interest rates had fallen, first in response to the crash and later in order to counter intense upward pressure on the sterling exchange rate. More recently, interest rates had risen, as an offset to loose monetary conditions and strong domestic demand (see pp 314-15). The Chancellor had little doubt that the loosening of monetary policy in the aftermath of the crash – even though it might have stored up problems for later – was preferable to running the terrifying risks of doing nothing. The more recent tightening of monetary policy during the summer had already had an impact on the housing market, with a slowing in the pace of price rises and a substantial reduction in new mortgage commitments. This was particularly important in the light of the central role played by the housing market in the sharp decline in the saving ratio (see pp 371-3).

It would take some time for the full effects of monetary tightening to be seen but Mr Lawson was confident that interest rates would do the job set them. In Britain today, with the household sector a large net payer of interest for the first time, interest rates could be expected to be more effective than ever before. As a result, the Chancellor expected inflation to peak during the course of 1989 although the current account deficit might not be significantly reduced until 1990.

British Economy

After a number of years of strong growth at an annual rate of a little over 3 per cent, Britain had now experienced two years – 1987 and 1988 – of rather faster growth. There was now likely to be a year or two of slower growth 'as the economy catches its breath'. But this was no cause for alarm. The underlying supply performance of the economy had improved dramatically as a result of policies such as deregulation and improvements in competition and incentives. The slowing down of the economy should be combined with a respectable growth rate by historical standards.

Mr Lawson assured his audience that the Government would continue to do all in its power to ensure that the years ahead were ones of prosperity – for the public purse and for the whole nation.

Chancellor's Speech at International Monetary Fund Meeting

In his speech at the joint annual meeting of the International Monetary Fund and World Bank in West Berlin on 28 September the Chancellor of the Exchequer, Mr Nigel Lawson, said that Britain was

making significant efforts, through the two bodies, to help those countries with a large burden of international debt. In the world economy, current account deficits – the result of an excess of internally generated private sector investment over savings – had caused concern. However, because private sector behaviour was self-correcting, it would be inappropriate for Britain to deal with its deficit by taking measures to increase its budget surplus.

International Debt

Over the past year the Fund and Bank had taken important steps to help the poorest, most indebted countries, the Chancellor noted. Britain was making substantial sums available to the Fund's Enhanced Structural Adjustment Facility (established in December 1987) and the Bank's Special Facility for Africa (see p 260, 1987). Mr Lawson expressed pleasure that agreement had been reached by all the creditors in the Paris Club (a forum of creditor and debtor nations) on easing the burden of official debt of the poorest, most heavily indebted countries, especially in sub-Saharan Africa (see pp 315-16, 1987).

The Chancellor welcomed the determination of the Fund not to allow itself to be rushed into supporting macroeconomic programmes before they were satisfied about their soundness and the commitment of the authorities to persevere in their implementation.

It was necessary, however, to look beyond the international financial institutions in finding ways of sustaining the world economy, improving living standards and reducing poverty. There was increasing acceptance that the role of the private sector in development – especially that of private capital flows – needed to be expanded.

Barriers to international trade also had to come down. The creditor countries had to open their markets further to the exports of developing countries while debtor countries had to carry out programmes of trade liberalisation and other reforms.

World Economy

Since the 1987 world stock market crash (see pp 368-9, 1987) growth in the world economy had picked up rather than slowed down, Mr Lawson pointed out. The success of the major industrialised countries in averting the potentially very damaging effects of the crash had demonstrated the strength and value of co-operation among them (see p 378).

Persistent current account imbalances between the major economies, the Chancellor continued, had caused widespread concern. However, it was important to consider the capital account of the balance of payments as well as the current account: net capital flows were an equal and opposite counterpart to a current account imbalance. The state of the current account reflected the difference between domestically generated savings and investment (see pp 377-8). Over the last five years, for example, Japan and the Federal Republic of Germany had been sustained suppliers of savings to the United States to make good the shortfall of United States savings below investment.

There was also concern at the implications of a current account deficit for a country's indebtedness. However, Mr Lawson felt that – even for deficits of the size seen recently in the major countries – the problem would emerge quite slowly. The Organisation for Economic Co-operation and Development had suggested that the effective constraint on the size of a country's current account deficit was its creditworthiness, with the size of its net assets playing an important part. But the Chancellor warned that financial markets could take fright long before this constraint came into play; it was therefore necessary for governments not just to pursue sound financial policies but to be prepared to exercise a stabilising influence.

Monetary policy had implications for the exchange rate, which was itself an important factor in such policy. The exchange rate should not, therefore, be assigned the task of balancing the current account and it was wrong to regard a fall in the exchange rate as the automatic response to a current account deficit.

However, if a current account deficit was accompanied by a budget deficit, governments had a responsibility to take action to reduce the budget deficit and hence the drain on private sector savings. In Britain, which was not running a budget deficit, the current account deficit was entirely the result of private sector decisions. It would generally be wrong for the public sector to seek to run an ever-increasing budget surplus in an attempt to offset private sector behaviour – not least because such behaviour was self-correcting in the long run. Only if the self-correcting mechanisms threatened to be so protracted as to endanger a country's creditworthiness would it be appropriate to increase the budget surplus in order to offset a shortage of private sector savings.

British Economy

In Britain in the past year output, investment and domestic demand had all grown much faster than expected. Also, supply performance had improved further. The continued rapid growth in manufacturing productivity was reflected in the slow rise in manufacturing costs and increases in profitability, rates of return on capital and exports. All this, combined with public expenditure restraint, had led to a budget surplus. However, this was accompanied by a sizeable current account deficit.

Private sector savings had fallen while private sector investment had risen, Mr Lawson explained. The fall in personal savings had been largely caused by a substantial increase in personal borrowing – itself the result of growing confidence in the future and increased wealth brought about by the rise in house prices. At the same time, deregulation of financial markets had made it easier for consumers to use the collateral of asset values to increase borrowing levels. Personal sector borrowing in relation to income was now almost as high as in the United States. This fall in saving had coincided with a growth in investment, which was crucial if an increased rate of growth was to be sustained. However, with an investment boom superimposed on strong consumer spending, inflationary pressures had emerged. In response, the Government had tightened monetary policy (see p 378).

Merger Policy

In a recent statement about the Government's merger policy, the Secretary of State for Trade and Industry, Lord Young, stressed that the main consideration in evaluating a proposed merger for reference to the Monopolies and Mergers Commission was the potential effect on competition in Britain.

Speaking to the Stock Exchange Conference for Industry in London on 27 October,[1] Lord Young said that mergers policy had to provide industry with a clear and predictable framework within which to conduct mergers and takeovers which were part of the operation of the market. Government policy was underpinned by the assumption that the market should be able to operate as freely as possible. Government interference was justified only when there was a clear expectation that the outcome would not be in the best interests of the economy as a whole. It was not for the Monopolies and Mergers Commission (MMC) to displace the market in deciding the fate of the many mergers which regularly took place.

The Government had produced a policy document in March (see p 119) which affirmed the effect on competition[2] as the most important factor in merger referrals. Businesses needed to have preserved for them sufficient choice to be able to buy materials at the lowest possible prices and on the best terms. Taking an interventionist approach which sought to protect companies from predatory takeovers was not an aspect of existing policy; the best way for companies to preserve their independence was for them to function in such a way that a potential predator could not expect to make better use of the assets and, therefore, had no incentive to make a bid. Lord Young noted that he did retain the power to make referrals to the MMC on grounds of public interest, but such cases were exceptional. Firms themselves might reasonably be left to take a view about the effects of mergers. What was good for firms in the long run would be good for the economy.

Referral Procedures

A referral to the MMC meant only that it was necessary to examine issues which might amount to a case to be answered. Such referrals did not mean that a takeover bid would be blocked, but the delays and uncertainties caused had led in the past to bids being abandoned. However, the time required to complete an investigation had recently been halved. Only seven of around 240 cases considered during 1988 had been referred to the MMC. There were, on average, about eight referrals a year. Confidential guidance from the Office of Fair Trading was available to firms which might be referred to the MMC, and there was a well established procedure by which the Director General of Fair Trading, after analysing the implications of a bid, advised the Secretary of State on whether or not a referral should be made.

[1] *Merger Policy*. Available free from the Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

[2] For further information, see COI reference paper *Competition Policy in Britain*, No 252/86.

Recent Cases

Lord Young referred to some recent referral decisions in the context of this policy. A proposed merger between two large firms selling package holidays – an area where there was little foreign competition – was potentially anti-competitive and was referred to the MMC. However, to have referred the proposed takeover of the chocolate confectionery manufacturers Rowntree by the Swiss firm Nestlé, which involved no issue of competition, would have been dangerously to mislead other countries about British attitudes to inward investment and to invite retaliation against British investment abroad.

When British firms had to compete with foreign firms for home markets, it was consistent with policy that the creation of British firms with large shares of domestic output, such as British Steel, should be allowed in a spirit of fair competition. The bid by Minorco to acquire Consolidated Gold Fields was referred to the MMC because the Director General of Fair Trading believed that the implications for supply and pricing of certain minerals and metals warranted an investigation. These examples showed how markets varied. In each case, however, it was the market which was judged and the effect on customers which was the test.

Single European Market

With the approach of the single European market in 1992 (see p 337), and the removal of remaining barriers to trade, the scope for competition in Europe would increase; this would be an important factor in considering proposed mergers. Weight had to be given to the international competitiveness of British companies formed through mergers, and the MMC was the appropriate body for balancing such benefits against reduced competition within Britain. Britain was not convinced that proposals to create European Community merger control regulation was necessary. Existing articles of the Treaty of Rome provided some merger control at the European level already, and whether these should be replaced was an open question.

Leveraged Bids

Lord Young said that leveraged bids had caused a considerable amount of concern. Leveraging on its own was not normally regarded as a ground for referral. However, where high leveraging (that is, a relatively high proportion of fixed interest debt in total capital) in combination with some other factor might be expected to have undesirable effects, the bid might need to be referred to the MMC. A recent example involved Goodman Fielder Wattie's attempt to take over Rank Hovis McDougall. This merger would have affected the bread market which was important and unusual in Britain. The weakening of one of the only two large producers could have seriously limited competition. The bid had been withdrawn, thus forestalling a test.

Public Interest and Protectionism

The referral of the Kuwait Investment Office shareholding in British Petroleum (see pp 347-8) had been made on grounds of wider public interest as well as issues of competition: the prospect of a foreign

government and member of the oil producers' cartel influencing or controlling the company had warranted investigation. There was no element of protectionism about Britain's merger policy: the nationality of a bidder was not a factor in decisions to make referrals to the MMC and nearly 500 bids by foreign firms to acquire British firms had been cleared during the present decade. Britain welcomed investment from overseas while British companies themselves invested heavily overseas. In its concern to achieve open markets, the Government's policy was to start with a clean slate in the case of any proposed merger and judge it principally according to its impact on competition in Britain.

Shorter Notes

GIROBANK PRIVATISATION

The Minister of Trade and Industry, Mr Tony Newton, reported progress on the privatisation of Girobank (see p 212) during an adjournment debate in the House of Commons on 10 November. When bids had been sought, he said, it had been indicated that they should be submitted by the end of October. A buyer able to meet the requirements of the sale had not tendered within the hoped-for time scale, but the Government and the Post Office were still committed to transferring Girobank to the private sector. Therefore, the Post Office and the financial advisers for the sale were holding further confidential discussions with potential purchasers.

Source: *Hansard*, Vol 140, No 216, col 614.

NATIONAL SAVINGS

The Government is to launch a new National Savings instrument – the first for three years – at the beginning of 1989.

The Capital Bond, Mr Peter Lilley, Economic Secretary to the Treasury, explained on 13 October, would offer a guaranteed return. In order to encourage holding until maturity, the interest rate would increase in every year of the five-year life. Interest would be paid gross but would be subject to income tax; the interest rate would be high enough to reflect this. With interest paid gross, non-taxpayers would receive a return free of tax deductions. However, with the Bond being taxable, the public finances would not be deprived of receipts from taxpayers. The minimum purchase would be £100; there would be no upper limit.

'The Capital Bond will, I believe, tap a new market, stimulate additional long-term saving and help improve the quality of government borrowing', Mr Lilley said.

Sources: HM Treasury and Department for National Savings press notices, 13.10.88.

BRITISH OVERSEAS TRADE BOARD ANNUAL REPORT

In his foreword to the annual report of the British Overseas Trade Board for 1987-88 the Chairman, Sir James Cleminson, said that Britain had re-established its reputation for innovation, quality and design, which was being reflected in its export performance. The year had seen an increase in Britain's non-oil exports and its share of world trade.

In 1987 Britain's export pattern closely reflected world developments. Non-oil exports to the European Community rose by 14 per cent and those to Japan by over 30 per cent. Exports to the four major newly industrialised countries in the Far East – Hong Kong, Korea, Singapore and Taiwan – recorded an average growth of 18 per cent but those to the United States showed only modest growth. Exports to the oil-producing countries declined although Britain's share of this market probably increased.

In accordance with world patterns, the greatest increase in Britain's exports was in manufactures, particularly consumer goods, with exports of passenger cars rising by almost 50 per cent. Manufactured exports increased by 11 per cent in value and by 8 per cent in volume; total exports rose by 9 per cent in value and by 5 per cent in volume. Both volume increases were rather higher than the growth in world trade. In 1987 Britain accounted for 8 per cent of the main manufacturing countries' share of manufactured exports.

Source: *British Overseas Trade Board. Report 1987/88.* Available free from Department of Trade and Industry South East, Bridge Place, 88 Eccleston Square, London SW1V 1PT.

[For further information on Britain's overseas trade in 1987, see article on pp 311-14, later reproduced as COI reference paper *Britain's Balance of Payments in 1987,* COI, No 287/88.]

SUPPORT FOR DESIGN INITIATIVES

In a speech to an international design forum in Singapore on 19 October, the Parliamentary Under-Secretary of State for Industry and Consumer Affairs, Mr Eric Forth, said that Britain had established a tradition for design excellence, and that the Government was committed to increasing the number and range of companies which took full advantage of the potential of design for success. Priorities would include assuring a continuing future supply of new designers, and the education of managers to use design skills fully.

Design played a substantial role in assisting British competitiveness. Success in world markets required a sensitive response to market trends and customers' needs and aspirations. It should be seen as an investment rather than a cost, said Mr Forth. Design could provide a bridge between new ideas and markets, a catalyst to turn ideas into successful products. It was essential to define carefully the real meaning of good design: the word had nothing to do with trends, but rather with enduring qualities which were more than simple style or appearance.

Such thinking had motivated the Government's policy for promoting design over the past six years,

which had stemmed from a seminar in 1982 involving leaders from industry, education and the design profession (see p 211, 1982). Two themes had emerged: first, that design needed to be taught as a problem-solving discipline which developed practical skills as well as intellectual awareness; and second, that senior industrial management should be more generally persuaded as to its importance in improving product performance and quality. The Government had responded to these needs, taking the view that design, as a component in commercial success, could act as a focus for innovation and exploitation. Together with marketing and efficient manufacturing, design could ensure not only that high quality products were attractive but that they were durable, easy and safe to use, and met customer demands.

Mr Forth named three recently developed British products which illustrated these points. The Pulsair Tonometer, a hand-held device, had been developed to screen for glaucoma, replacing bulky equipment. The Steri-tractor, a disposable wound retractor, was an innovative cost-effective alternative to traditional wound retractors. The Precision Implant 9000 was a machine capable of producing large numbers of silicon chips on a previously impossible scale. Each of these products had required considerable research and development, using design efficiently and effectively with a strong market orientation in mind. It had required management with an awareness of how to integrate sound design into the production process to create devices such as these.

The achievements of Britain's award-winning design sector were considerable. Mr Forth said that there was a growing understanding of the importance of design by industry, commerce and the public; that some of the 6,000 design consultancy projects supported by the Government had had international success (see p 25); that Britain's system of design education starting at primary level ranked among the world's best; that more managers understood the value of design; and that the design consultancy profession as a whole had a turnover now in excess of £1,000 million each year. Mr Forth added that the sustained expansion of the British economy would require a continuing strong role for design.

Source: Department of Trade and Industry press notice, 19.10.88.

TRADE AGREEMENT WITH THE GERMAN DEMOCRATIC REPUBLIC

Further efforts to increase trade between Britain and the German Democratic Republic have been made with the signing of an agreement on economic co-operation on 1 November. This extends agreements made in 1973 (see p 11, 1974) and 1983. 'We regard the German Democratic Republic as a serious, significant long-term trade partner', the Minister for Trade, Mr Alan Clark, said. The new agreement lays down several areas of possible co-operation, including power generation and machine tools. It also encourages co-operation in third markets; firms from both countries are currently working together in India and the Middle East.

In 1987 Britain's exports to the German Democratic Republic amounted to £81 million; imports were valued at £180 million. In the first eight months of 1988 the corresponding figures were £63 million and £100 million respectively.

Source: Department of Trade and Industry press notice, 1.11.88.

REPORT ON THE GREAT STORM

An inquiry to assess the damage to woodland and other trees and the economic implications for timber production caused by the storm of 15-16 October 1987 (see p 415, 1987) has published its report. No storm has caused such widespread and severe damage in England since 1703. The Government has already announced considerable assistance to help make good the damage (see pp 25-6, 153, 212-13, and 240).

The committee conducting the inquiry was chaired by the Department of the Environment and included representatives from the Ministry of Agriculture, Fisheries and Food, the Forestry Commission and other interested bodies.

An estimated 16,000 hectares (39,500 acres) of woodlands (out of a total of about 200,000 hectares) were sufficiently badly damaged by the storm to warrant clearance. About 3·7 million cubic metres (130·6 million cubic feet) of woodland timber were blown down, approximately half of which was coniferous (mainly pine) and half broadleaved (with a substantial proportion of beech). Some 70 per cent was in private woodlands and the rest in Forestry Commission woods. About 170,000 cubic metres (6 million cubic feet) of non-woodland trees fell or were badly damaged. Some 150 parks and gardens were moderately or severely damaged. About 1·5 million trees (9 per cent of total stock) in commercial orchards were affected. In the wider countryside 200,000 non-woodland trees were lost and about 500,000 badly damaged. Of the apple crop for the 1987 season, about 10 per cent was lost. The volume of timber blown down represented nine months' production for the whole of Great Britain.

Commenting on the committee's recommendations, the Government accepts that the Arboricultural Advisory and Information Service provided by the Forestry Commission should be the central point for advice on arboricultural matters and for disseminating research results. It also supports the principle of co-operatives of woodland owners which would facilitate the clearance, marketing and restocking of timber, and is already funding several pilot projects. In response to the recommendation that grants for tree-planting should include a requirement that long-term care would be provided, the Government points out that Forestry Commission grants are paid in instalments, usually over ten years, thus ensuring satisfactory long-term care.

Source: *The Effects of the Great Storm. Report of a Technical Co-ordination Committee and the Government's Response.* HMSO, £5. ISBN 0 11 752144 2.

LEICESTER SPACE CENTRE

A new Space Centre at Leicester University was launched on 21 October by the Secretary of State for Education and Science, Mr Kenneth Baker.

The university in its department of physics already has one of the largest intra-mural space research programmes among British universities. Focusing on astrophysics, remote sensing and studies of the ionosphere, it employs some 70 staff and attracts about £1·4 million a year in funding from the University Grants Committee and the Science and Engineering Research Council. The Space Centre is initially an organisational framework for the further expansion of space research. The university is at the same time seeking some £3 million from the private sector for a new building to house the Centre. The new building will include purpose-built facilities such as those for satellite payload assembly, and 'clean' rooms, free from dust and bacteriological contamination. It will allow scope for increased revenue earning activities, and also for local community involvement, with a permanent exhibition, provision for school parties and perhaps satellite tracking facilities.

Welcoming the appeal, Mr Baker said, 'Contributions from the private sector are particularly appropriate in cases such as this, where there is potential benefit to industry through access to expertise, collaborative research projects and the education and training of scientists, technologists and engineers. Outside funding is not a substitute for public support. It is complementary to it and will not reduce the public funds made available for science. In fact, new facilities should attract more public as well as more private funding.'

Source: Leicester University and Department of Education and Science press notice, 21.10.88.

NOBEL PRIZE

The 1988 Nobel Prize for Physiology or Medicine has been awarded to Sir James Black, professor of analytical pharmacology at King's College School of Medicine, London. He is the sixteenth British citizen to win this prize since 1945, and shares it with two Americans, George Hitchings and Gertrude Elion, researchers at the Burroughs-Wellcome Laboratories in the United States. According to the citation the three share the award for their discoveries of important principles for drug treatment principles that have resulted in the development of a series of new drugs.

Between 1958 and 1964 Sir James was senior pharmacologist in the pharmaceuticals division of ICI, where his research led to the development of a new class of heart drugs called beta-blockers, and in particular in 1964 to the most successful example, propanolol. Beta-blockers were the result of a deliberate search for substances which would block the natural action of adrenalin in stimulating the heart muscle. This is what propanolol does, and by thus reducing heart activity it reduces the need of the heart for oxygen. It is used in the treatment of all kinds of cardio-vascular conditions, such as high blood pressure and angina.

Sir James went in 1964 to be Head of Biological Research at Smith Kline and French. Here he led a similar systematic search, based on study of the body's chemistry, for drugs to treat stomach ulcers. Ulcers are aggravated by gastric acid, production of which in the stomach is stimulated by the natural substance, histamine. Study of the histamine molecule led in 1972 to the development of drugs which block its action, most successfully the drug cimetidine, with the help of which ulcers heal without the need for surgery.

These two classes of drugs for which Sir James has been largely responsible are now among the world's best sellers.

Sir James Black was born in Fife, Scotland, in 1924. He studied at the University of St Andrews, where he later lectured in physiology. He moved to ICI after seven years as senior lecturer in physiology at the University of Glasgow. From 1973 to 1977 he was professor of pharmacology at University College London, and then Director of the Therapeutic Research Division at the Wellcome Research Laboratories, Beckenham, Kent. He has been at King's College School of Medicine since 1984, and in addition to his professorial post has been chairman of the James Black Foundation since 1987.

[For information an earlier winners, see COI reference paper *British Winners of Nobel Prizes*, No 99/84.]

PROTECTION FOR SEALS

Measures to increase the statutory protection given to common and grey seals were announced in the House of Commons by the Parliamentary Under-Secretary of State at the Home Office, Mr Douglas Hogg, on 31 October. Mr Hogg said that the Home Secretary, with the agreement of the Secretary of State for Scotland, would lay two Orders before Parliament under the Conservation of Seals Act 1970. These would make it an offence to kill, injure or take common seals throughout Great Britain and its coastal waters; grey seals would have the same protection in England and Wales. Mr Hogg said that this was the first time the Government had introduced Orders under the Act on this scale, and reflected the high level of its concern about the diminishing seal population, which was threatened by a virus of the canine distemper type (see p 351).

The Orders, which have been made following advice from the Natural Environment Research Council and the Nature Conservancy Council, will come into effect on 1 December 1988 and last for two years; they will be reviewed in the summer of 1989. They have the effect of extending the close seasons for the two species of seals, which are laid down under the Conservation of Seals Act, to cover the whole year. It is normally an offence to kill, injure or take seals during the close season, when the pups are born, except under licence issued by the Home Secretary or the Secretary of State for Scotland.

Sources: *Hansard*, Vol 139, No 208, written answers, cols 476-7; Home Office press notice, 31.10.88.

Social Security Benefits

The uprating of social security benefits was announced in October. The new rates, which will come into force in the week beginning 10 April 1989, the first full week in the tax year, reflect a rise in the retail price index of 5·9 per cent over the 12 months to September 1988. As a result of the uprating, expenditure on social security, which at present stands at over £50,000 million in 1989-90, will rise by some £2,000 million.

Announcing the new benefit rates in the House of Commons on 27 October (*Hansard*, Vol 122, No 205, cols 455-8), the Secretary of State for Social Security, Mr John Moore, confirmed the Government's belief that it 'should continue to target this massive expenditure to ensure that it is concentrated to best effect on those who need it most'. The main points of Mr Moore's statement are as follows.

Pensions

The retirement pension for a married couple will rise from £65·90 to £69·80, and for a single person from £41·15 to £43·60. Public service pensions will be increased by the same percentage.

Unemployment Benefit

The basic rate of unemployment benefit will be increased from £32·75 to £34·70.

Benefits for the Disabled

Benefits payable to sick and disabled people, including sickness benefit, invalidity benefit, severe disablement allowance and invalid care allowance, will all rise by 5·9 per cent, as will attendance allowance and mobility allowance. Additionally, the Government will be contributing £5 million to a special trust fund set up to celebrate the tenth anniversary of Motability, the scheme which helps disabled people to obtain cars on favourable terms. Motability is a joint venture between Government and the private sector, and the clearing banks also will be contributing £5 million. Future legislation will extend the upper age limit for mobility allowance from 75 to 80 as an interim measure pending Government consideration of reports on a survey of disabled people undertaken by the Office of Population Censuses and Surveys.

Benefits for Children

In view of the particular need to target help on those who most need it and to control the overall growth in social security expenditure, it is proposed not to increase the rate of child benefit in April. This will remain at £7·25 a week.

The Government, however, will be increasing the overall level of resources devoted to families with children, with the greatest emphasis being placed on those with greatest needs. An extra £135 million will be spent on income support, family credit and housing benefits (see below). An additional £70 million will be spent on increasing child allowances.

Income-related Benefits

The income-related benefits will also be increased by 5·9 per cent less housing costs.

Community Charge

The Government intends making a once and for all adjustment to income support levels to help meet the minimum 20 per cent contributions which recipients will have to make to the community charge (see pp 96-7, 1987). To this end the Government is including payment of £1·15 a week for single people under 25 and £2·30 for couples. The figure for single people over 25 remains at £1·30 a week.

Heating Support Scheme

The Government, through amendments to the rules governing this scheme, will double its expenditure on the scheme and extend its scope to cover nearly half a million more families.

BENEFIT RATES

Main Contributory and Non-Contributory Benefits

The payment of some benefits – such as retirement or widow's and invalidity pensions and sickness and unemployment benefit – depends on contributions paid under the National Insurance scheme. Other benefits do not depend upon contributions: the main one is child benefit, but there are also a number providing special help, for example, for disabled people.

	Existing weekly rate £	*Proposed weekly rate* £
Child benefit		
each child	7·25	7·25
One-parent benefit		
first or only child of certain lone persons	4·90	5·20
Retirement and widow's pensions, and widowed mother's allowance		
single person	41·15	43·60
wife or other adult dependant	24·75	26·20
Earnings limit for retirement pensioners	75·00	75·00
Invalidity pension		
single person	41·15	43·60
spouse or other adult dependant	24·75	26·20
Invalidity allowance		
higher rate	8·65	9·20
middle rate	5·50	5·80
lower rate	2·75	2·90
Unemployment benefit		
single person	32·75	34·70
wife or other adult dependant	20·20	21·40
Sickness benefit		
single person	31·30	33·20
wife or other adult dependant	19·40	20·55
Statutory sick pay		
earnings threshold	41·00	43·00
standard rate threshold	79·50	84·00
lower rate	34·25	36·25
standard rate	49·20	52·10
Widow's payment (lump sum)		1,000·00
Statutory maternity pay		
earnings threshold	41·00	43·00
lower rate	34·25	36·25
Maternity allowance	31·30	33·20
Attendance allowance		
higher rate	32·95	34·90
lower rate	22·00	23·30
Severe disablement allowance	24·75	26·20
Invalid care allowance	24·75	26·20
wife or other adult dependant	14·80	15·65
Mobility allowance	23·05	24·40
Guardian's allowance, child's special allowance	8·40	8·95
Rate of benefit for children of: widows; invalidity and retirement pensioners; invalid care beneficiaries; unemployment and sickness beneficiaries when claimant is over pension age	8·40	8·95

Industrial Injuries Benefits

Industrial injuries benefits are payable to employed people who suffer injuries caused by an accident at work or from a prescribed industrial disease. Disablement benefit is usually paid after a qualifying period of 15 weeks if there is a loss of physical or mental faculty. (During the qualifying period sick pay or sickness benefit is payable.)

	Existing weekly rate £	*Proposed weekly rate* £
Disablement benefit (100 per cent assessment)	67·20	71·20
unemployability supplement	41·15	43·60
reduced earnings allowance (maximum)	26·88	28·48
constant attendance allowance (normal maximum), exceptionally severe disablement allowance	26·90	28·50
Industrial death benefit		
higher permanent rate	41·15	43·60
lower permanent rate	12·35	13·08

Income-related Benefits

Entitlement to all income-related benefits is assessed using the same basic rules. There is a limit to the amount of capital a person may have and still be entitled, and income is taken into account net of income tax and National Insurance contributions.

Income Support and Housing Benefit

Income support is payable to families who are not in work and whose financial resources fall below certain levels. It consists of a basic allowance with additional premiums for families, lone parents, pensioners and long-term sick and disabled people. People whose income is no higher than the following levels receive housing benefit equivalent to 100 per cent of their rent and 80 per cent of their rates.

	Existing weekly rate £	*Proposed weekly rate* £
Personal Allowances		
single		
under age 18	19·40	20·80
age 18-24	26·05	27·40
age 25 or over	33·40	34·90
lone parent		
under age 18	19·40	20·80
age 18 or over	33·40	34·90
couple		
both under age 18	38·80	41·60
at least one age 18 or over	51·45	54·80
dependant children		
under age 11	10·75	11·75
age 11-15	16·10	17·35
age 16-17	19·40	20·80
age 18	26·05	27·40
Premiums		
family	6·15	6·50
lone parent (income support)	3·70	3·90

	Existing weekly rate £	Proposed weekly rate £
lone parent (housing benefit)	8·60	8·60
pensioner		
single	10·65	11·20
couple	16·25	17·05
pensioner (higher)		
single	13·05	13·70
couple	18·60	19·50
disability		
single	13·05	13·70
couple	18·60	19·50
severe disability		
single	24·75	26·20
couple (one disabled)	24·75	26·20
couple (both disabled)	49·50	52·40
disabled child	6·15	6·50

Family Credit

Family credit is payable to low-income working families with children. It is additional to child benefit and is related to net income, and to the number and age of children in the family. Where the net income is no higher than £54·80, the following amounts will be payable. Credit is 'tapered' for earnings above this level.

	Existing weekly rate £	Proposed weekly rate £
Adult Credit	32·10	33·60
Child Credit		
under age 11	6·05	7·30
age 11-15	11·40	12·90
age 16-17	14·70	16·35
age 18	21·35	23·30

Main War Pensions

War pensions are payable to people disabled as a result of service in the armed forces, to people disabled from injuries in the Merchant Navy or Civil Defence during wartime, or to civilians injured by enemy action.

	Existing weekly rate £	Proposed weekly rate £
Disablement pension for private at 100 per cent rate	67·20	71·20
Age allowance, depending on degree of disability	4·70-14·60	5·00-15·50
Unemployability allowances		
personal allowance	43·70	46·30
increase for wife or other adult dependant	24·75	26·20
increase for each child	8·40	8·95
Constant attendance allowance		
normal maximum	26·90	28·50
Comforts allowance		
higher rate	11·60	12·30
lower rate	5·80	6·15
Mobility supplement	25·60	27·10
Allowance for lowered stand of occupation (maximum)	26·88	28·48
Exceptionally severe disablement allowance	26·90	28·50
Severe disablement occupational allowance	13·45	14·25
Clothing allowance (annual rate)		
higher rate	92·00	97·00
lower rate	58·00	61·00
Widow's pension (private's widow)		
standard rate	53·50	56·65
childless widow under 40	12·35	13·08
Rent allowance (maximum)	20·35	21·55
Age allowance for elderly widows		
age 65-69	5·75	6·10
age 70-79	11·50	12·20
age 80 and over	14·45	15·30

Education Reform in Northern Ireland

After taking account of the views of interested parties, the Government has announced its decisions on proposals for the reform of education in Northern Ireland, which it believes would lay the foundations for an education system characterised by breadth and excellence. In line with government measures being taken elsewhere in Britain, the latest proposals are designed to raise educational standards, give parents a larger voice in the education of their children, and devolve greater powers to those most closely involved in the running of schools and colleges.

The Government's decisions are outlined in a paper[1] published on 5 October. They were taken in the light of views received from Education and Library Boards, parents and other interested bodies on pro-

[1] *Education Reform in Northern Ireland – The Way Forward.* Department of Education for Northern Ireland. Available free from Department of Education, Rathgael House, Balloo Road, Bangor, Co Down BT12 2PR, Northern Ireland.

posals contained in a consultation document[1] issued last March. Draft legislation based on these decisions will be introduced by the Government as early as possible in 1989, providing a further opportunity for public consultation and comment.

Reform of the education system in England and Wales is proceeding in accordance with the terms of the Education Reform Act pased in July 1988 (see pp 426-8, 1987 and p 287); in Scotland planned reforms include the establishment of school boards, the development of the school curriculum and the improvement of assessment procedures.

MAIN PROPOSALS

The Curriculum and Assessment

Under the Government's latest proposals, a common curriculum would be introduced in all state-supported schools based on six broad areas of study: English, mathematics, science and technology, the environment and society, creative and expressive studies, and (for secondary school pupils) language studies. The aim would be to produce a curriculum which would be broad, balanced and coherent and to which all children would have equal access irrespective of the type of school that they attended or where they lived. Within the areas of study, certain subjects would be compulsory and there would be formal assessment of them at ages 8, 11, 14 and 16 against specified assessment criteria. Religious education would also have to be included in the curriculum at all stages. Centrally-prescribed attainment targets and programmes of study would be laid down for all subjects.

Given the existence of an increasingly international job market, the Government believes that it is essential for pupils to study a modern European language; consequently, every secondary-level pupil would be required to study French, German or Spanish up to the age of 16. In recognition of the position of the Irish language in the culture and traditions of many people in Northern Ireland, pupils would have to follow programmes of study for both Irish and English (as well as French, German or Spanish) in schools teaching through the medium of Irish (at present primary schools only); where secondary schools wished to teach Irish as a modern language, pupils taking this course would also be obliged to study French, German or Spanish.

The draft legislation will provide that the curriculum of every pupil should contain a number of cross-curricular themes, including information technology and economic awareness, and, in the interests of better community relations, the cultural heritage of Northern Ireland and 'education for mutual understanding.'

Open Enrolment and Parental Choice

Restrictions on the numbers of pupils which schools would be allowed to admit would be removed in order to give parents greater freedom of choice of schools for their children. Primary and secondary schools would have to admit all pupils applying for admission so long as there were places available. Parents would for the first time be given a statutory right to express a preference for the school which they wished their children to attend.

Transfer of pupils from primary to secondary schools would be decided on the basis of pupils' records of achievement in primary schools, instead of the present centrally-administered verbal reasoning tests. Only those pupils with appropriate records of achievement would normally be eligible for entry to grammar schools (at present grammar schools admit a certain number of fee-paying pupils who would not normally be considered suitable on the basis of their academic record).

Financial Delegation to Schools

The Government is of the view that those who take day-to-day decisions on the implementation of the curriculum and on the organisation and general running of schools are best placed to decide how available resources should be deployed. Accordingly, it has decided to introduce financial delegation, initially to secondary schools. Other schools without full delegation would have control over a part of their running costs, including expenditure on certain prescribed items such as books, practice materials, stationery and small equipment. Financial delegation would include the power to manage teaching and non-teaching staff numbers.

Grant-maintained Schools

The consultation paper proposed new provision to enable schools to apply for grant-maintained status, which would allow them to operate with a high degree of autonomy and be directly funded by central government. In addition, a second category of grant-maintained integrated status was proposed to encourage and assist those schools with a commitment to provide for the co-education of Protestant and Roman Catholic children. Responses to the consultation paper demonstrated that in the particular circumstances of Northern Ireland it would be of more direct relevance to the needs of the community to proceed solely with the proposal for grant-maintained integrated status, and to associate it with additional measures in support of integrated education.

Integrated Education

The Government intends to put in place a range of initiatives designed to allow maximum expression of parental wishes for integrated schooling. There would be provision for schools to opt for grant-maintained integrated status and for the introduction of a statutory responsibility on the Department of Education for Northern Ireland to encourage integrated education. Financial assistance for newly established integrated schools would be made available at an early stage of their development and priority would be given to capital projects for the provision of additional pupil places in integrated schools. The process of applying for grant-maintained integrated status could be initiated by a board of governors either directly or at the request of parents. A balloting procedure identical to that required in England and Wales under the Education Reform Act 1988 would have to be followed; this would involve a second ballot of parents being held if less than half of those eligible to vote took part in

[1] *Education in Northern Ireland – Proposals for Reform.* Department of Education for Northern Ireland. Available free from address above.

the first ballot, with the result of the second ballot being conclusive regardless of the level of participation.

Further Education

The Government proposes to delegate financial powers and responsibilities to individual further education colleges so as to improve their efficiency and make them better able to meet the demands of students, employers and the local community. Education and Library Boards would be required to continue to offer a balanced provision of courses in colleges under their management. Governing bodies of colleges would contain a maximum of 25 members, at least half of whom would be drawn from the professions, industry and other fields of employment relevant to the activities of the college; a further 20 per cent of members should be representatives of Education and Library Boards.

GOVERNMENT STATEMENT

Announcing the plans on 5 October, the Parliamentary Under-Secretary of State with responsibility for education at the Northern Ireland Office, Dr Brian Mawhinney, said that following the consultation exercise, the Government had decided to omit its original proposals for grant-maintained schools and to concentrate entirely on its proposals for setting up grant-maintained integrated schools. It had also adopted a more flexible approach to the common curriculum and announced a package of measures to aid the growth of integrated education. Dr Mawhinney was satisfied that the Government's proposals would not only meet the particular needs of Northern Ireland but also be in line with the essential thrust of the Government's education policy for Britain as a whole.

Broadcasting

The Government proposes to provide a new framework for broadcasting giving viewers and listeners much greater choice and at the same time safeguarding and encouraging quality and diversity as well as standards of decency and good taste. If the framework receives legislative approval and broadcasters take the opportunities available to them, the Government believes that the British public might have access to several dozen domestic television channels and some hundreds of domestic radio channels.

The proposals, outlined in a White Paper,[1] have been shaped or informed by findings and recommendations contained in three recent official reports: the Peacock report on broadcasting[2] published in 1986 (see pp 243-4, 1986), the Green Paper on radio broadcasting[1] published in 1987 (see p 113, 1987) and the main report of the House of Commons Home Affairs Committee inquiry into broadcasting[2] published in June 1988. The Government has asked for comments on the White Paper proposals, which should reach the Home Office by 28 February 1989.

Introducing the White Paper in the House of Commons on 7 November (*Hansard*, Vol 140, No 212, cols 28-30), the Home Secretary, Mr Douglas Hurd, said that the British broadcasting system had a rich heritage and that the Government's proposals were designed to build on this so as to develop services of high quality, broad range and popular appeal. What the Government was proposing was an enabling framework which would give rise to increased opportunities for additional channels as determined by consumers rather than government regulation.

Mr Hurd went on to say that the ownership of commercial television and radio should be widely spread and that the White Paper contained proposals to prevent excessive concentration of ownership. Safeguards on minimum standards were needed to protect viewers and listeners from 'shoddy wares' and exploitation but, subject to these, consumers should be able to exercise greater choice over what they saw and heard. While some important positive programming obligations were being retained, the Government envisaged a substantial liberalisation, especially of the independent sector, and more reliance on the consumer, rather than on regulation, to sustain range and quality.

WHITE PAPER

The White Paper says that with the coming of major technological developments, there will need to be corresponding changes in the way broadcasting is organised and regulated. The availability of more frequencies, as well as satellite, cable and microwave transmission, will make far more services possible, locally, nationally and internationally. Added to this is the prospect of improvements in the technical quality of broadcast sound and pictures.

The development of the market for video rental and prerecorded video cassettes is evidence of the demand for subscription, so it is likely, the White Paper suggests, that subscription television ('pay-TV') will play a greater role. The public's appetite for greater choice and new kinds of programme – which has contributed to the success of Channel 4 – will stimulate demand for even more variety and quality in future. Thus, a combination of technical developments and public demand will make it realistic to provide wider choice for everyone as well as more specialist programming for particular audiences. Much the same sort of developments have already led to the availability of a far broader choice of newspapers and magazines.

Producers will also be presented with opportunities: changes are taking place on an inter-

[1] *Broadcasting in the '90s: Competition, Choice and Quality.* The Government's Plans for Broadcasting Legislation. Cm 517. Home Office. HMSO, £7·20. ISBN 0 10 105172 7.

[2] *Report of the Committee on Financing the BBC.* Cmnd 9824. HMSO, £10·80. ISBN 0 10 198240 2.

[1] *Radio: Choices and Opportunities.* A Consultative Document. Cm 92. HMSO, £5. ISBN 0 10 100922 4.

[2] *The Future of Broadcasting.* Third Report of the House of Commons Home Affairs Committee, Session 1987-88.

Vol I. Report, together with the Proceedings of the Committee. HMSO, £6·90. ISBN 0 10 296688 5.

Vol II. Minutes of Evidence and Appendices. HMSO, £18·50. ISBN 0 10 296788 1.

national scale which will fuel demand for programmes as the audio-visual sector of Western economies continues to grow.

Safeguards will, however, be required to ensure that the new opportunities provide the public with genuinely wider choice and do not lead to the domination of the market by a small number of large suppliers.

The Government's Approach

Given rapidly developing technology, the White Paper states, the regulatory framework for broadcasting should be flexible enough to accommodate, not inhibit, desirable changes. The Government's proposals have, therefore, been devised within a clear set of guiding principles:

1 Broadcasting should continue to be editorially independent of the Government, but there is a continuing need for regulation to guarantee standards, particularly on taste and decency, and protect viewers and listeners against exploitation and poor quality programming.

2 The differences between radio and television call for different control arrangements.

3 New services, programmes and methods of delivery and payment should not be artificially restricted. The licence fee will continue for some time, but subscription should have a greater role, and advertising and sponsorship rules should be more flexible.

4 All restrictive practices should be discouraged and it should be as easy as possible for new services to be marketed.

5 There should be more separation between programme production, assembly of individual programmes into channels ('channel packaging') and transmission, with greater scope for independent producers.

6 Broadcasting companies and organisations should be efficiently run so that they give good value for money to their audiences, and can compete effectively with one another and with overseas competitors.

7 Through greater competition, pressure should be exerted to hold down television advertising rates.

8 The overall approach should be in line with the Government's general deregulation policy, which is intended to help both consumers and enterprises by instituting less, and more flexible, regulation.

The BBC

The BBC would be expected to continue in its public service broadcasting role and provide high quality programming throughout the full range of public tastes and interests, and to offer education, information and cultural material as well as entertainment. For some time to come it would be largely funded by the licence fee (the collection of which would become the responsibility of the BBC), but it would be encouraged by the Government to develop subscription services. The Government would authorise the BBC to make necessary technical modifications to its television services to enable it to begin to raise money through subscription, probably starting with night hours on one of its two channels; after 1991 the Government intends to agree licence fee rises of less than the increase in retail prices to take account of this. The night hours from the BBC's other channel would be reassigned to the Independent Television Commission (ITC – see below) for allocation as a new commercial service. After discussion with the Government, the BBC has already adopted less restrictive arrangements for the broadcast coverage of sponsored arts and sports events.

Channel 3

The ITV television channel would be renamed Channel 3 from 1993 and would be more lightly regulated than ITV is at present; there would be no detailed regulatory involvement in programme scheduling. Channel 3 would still have to provide varied programming, and, in common with all other commercial television services, it would be subject to consumer protection obligations on programme content.

The channel would continue to be regionally based and would be required to show regional programmes. It would be obliged to present high quality, impartial news in main viewing periods; the ITC would ensure that there was at least one independent organisation equipped to produce a high quality news service for Channel 3. The new channel would also be required to produce high quality current affairs programmes and to offer a diverse programme service appealing to a wide range of tastes and interests. A minimum of 25 per cent of original progamming would have to come from independent producers, and a significant proportion of programmes would have to be of European Community (including British) origin in order to minimise the number of cheap imported programmes being shown (similar requirements would be imposed on Channels 4 and 5 and DBS services – see below). The ITC would award Channel 3 franchises by competitive tender among applicants satisfying its programming requirements. It would subsequently be able to issue warnings and rescind licences where conditions were not being fulfilled. Franchises would be for 10-year periods with the option of renewal (see below).

Channel 4

Channel 4's special remit to supply diverse programmes would be maintained and enhanced. The channel would be required to cater for tastes and interests not served, or under-represented, by other parts of the independent sector. It would also have to devote a suitable proportion of its airtime to educational programming and high quality news and current affairs. It would remain an independent organisation subject to ITC oversight. The White Paper leaves open, and invites comment on, the precise constitutional model needed for the channel in the future. Its advertising would be sold separately from that on Channel 3 (at present the ITV contractors finance Channel 4 in return for advertising time on Channel 4 programmes). The Welsh Fourth Channel (SC4) would continue.

Channel 5

A fifth terrestrial television channel would be launched by 1993 with a similar role to that of the

proposed Channel 3, except that it would be national (with 65 to 70 per cent coverage) rather than regional (ITV is regionally based as Channel 3 would be). As with Channel 3, different companies would provide different programmes at different times of the day. If technically feasible, a sixth channel would follow.

Local Television Services

New local television franchises would add to consumer choice. They would be able to use both cable and MVDS[1] distribution systems, in some cases carrying in excess of 30 channels. Generally, the services would have to be retailed by different operators to ensure local competition. These could be services provided nationally, including those from satellite or local services. Franchises would be awarded by the ITC by competitive tender for 15-year periods. Broadband cable operators already awarded franchises by the Cable Authority should be able either to retain their existing franchise or to transform it into a new franchise.

Direct Broadcasting by Satellite

British Satellite Broadcasting (see pp 38-9, 1987) is planning to start three new national channels in autumn 1989. Under the proposals, franchises for Britain's two remaining direct broadcasting by satellite (DBS) channels would be advertised during 1989. This could mean that by mid-1990 viewers would be able to receive five high quality DBS channels. Other satellite channels, such as those from the proposed Astra satellite, would continue to be available for direct reception. Consumer protection rules for programme content would cover all such services.

The Independent Television Commission (ITC)

The ITC would replace the Independent Broadcasting Authority and the Cable Authority, and would supervise, with a 'light touch', all television services apart from the BBC. The ITC would decide the hours and areas covered by the franchises for Channels 3 and 5 (and Channel 6 if it comes into operation), award franchises by competitive tender, and regulate licensees. It would not be involved in detailed scheduling of programmes. Applicants for franchises would have to satisfy the ITC that they could meet given programme requirements, and the ITC would have tough powers, including the power to remove licences, to ensure that franchise-holders met promised standards. In addition, it would perform a number of other roles. It would regulate Channel 4; allocate DBS licences by competitive tender and regulate licensees; plan a network of local television services, award the licences by competitive tender, and regulate licencees; plan and oversee all non-BBC television transmission arrangments; collect revenues for the Government; and plan and arrange provision of schools programmes. Programming and programme content would be regulated by the Commission, which would issue a code for advertising and sponsorship, draw up another covering violence and decency, and enforce compliance by means of a range of penalties. Rules designed to limit cross-media ownership and concentration of ownership would be enforced by the ITC (see below).

Radio

Radio listeners would be given a wider choice. By the early 1990s there could be three national and several hundred new local independent stations (including community radio). A radio authority would take over responsibility for independent radio from the IBA; like the ITC, it would supervise with a light touch. Any satellite radio services for direct reception would also be regulated by the new authority.

The three new national commercial services would operate alongside and in competition with the BBC, which would retain sufficient frequencies to broadcast its national services. Unlike the BBC, they would not be required to follow a public service pattern. Programme operators would be responsible for their own services, subject to requirements of taste and decency and of avoiding editorialising and giving undue prominence to views on religious matters or issues of political or industrial controversy.

The new national services would be expected to provide a diverse programme service appealing to a variety of tastes and interests, and the proposed competitive tender procedure for national services would be subject to this test. Local services would have to demonstrate financial viability, audience demand and the extent to which they enhanced the range of programming and diversity of choice. Consumer protection requirements safeguarding minimum standards would be kept in place for all commercial radio services.

In the interests of preserving a competitive radio broadcasting market, no group would be able to control more than one national service and more than six local services.

As a step towards the new radio arrangements, the Government has endorsed proposals for the operation of a limited number of additional community radio stations under present legislation.

Broadcasting Standards Council

The Broadcasting Standards Council (see p 335, 1987) would be given statutory authority to reinforce standards relating to the portrayal of violence and sex. Broadcasting would become subject to obscenity legislation and the Government would press for effective international controls on programme standards.

Prior to receiving statutory authority, the Council will draw up, in conjunction with broadcasting authorities and other interested groups in broadcasting, cable and video, a code on the portrayal of sex and violence, and standards of taste and decency, in television and radio programmes transmitted by British broadcasters and in video works. It will discuss with relevant broadcasting bodies an arrangement whereby they would supply the Council, in advance of transmission, fictional material acquired from abroad that might give rise to special concern. The Council will also discuss with broadcasters the best way to publicise its views on programmes. Pro-

[1]The Multipoint Video Distribution System uses microwave transmission frequencies to send up to 12 channels to receiving aerials or dishes in line-of-sight of the transmitter. The system could also be used to carry Channel 5 in parts of Britain which could not otherwise receive it.

posals for the statutory powers of the Council are to be framed in the light of these discussions and experience of the working of the Council.

Other Proposals

Existing controls on takeovers would be removed but there would be clear rules to impose limits on concentration of ownership and on excessive cross-media ownership. The White Paper sets out a number of firm proposals together with further suggestions for comment and consideration. It is proposed that non-European-Community companies should not be able to control regional and national television channels, including DBS channels.

BBC and commercial UHF terrestrial channels would be required to take at least 25 per cent of original programming from independent producers.

Subject to safeguards all television services would be free to raise money through subscription, sponsorship and (with the exception of the BBC) advertising.

Transmission arrangements for both television and radio would be reformed to give scope for greater private sector involvement. The Government intends to see that high technical standards are maintained, while moving the UHF transmission system progressively into private hands and separating transmission (that is, service delivery) from service provision.

[The present arrangements for broadcasting in Britain are described in COI reference pamphlet *Television and Radio in Britain*, No 69/88.]

Shorter Notes

REMOVAL OF RESTRICTIONS ON THE EMPLOYMENT OF WOMEN AND YOUNG PEOPLE

Restrictions in employment law affecting women and young people are to be abolished following the Government's consideration of responses to a consultative document published in December 1987 (see pp 30-1). The Government intends to introduce legislation to remove the restrictions as soon as possible in order to encourage flexibility in industry and extend employment opportunities for women and young people; the aim also is to simplify the legislation and reduce the burdens on business.

Under the proposed new legislation, any unnecessary legal requirements which involve discrimination against women would be overridden by the sex discrimination laws unless they were positively justified on health or safety grounds, for instance to protect pregnant women and mothers. Thus, regulations concerning women who work with processes involving lead or ionising radiation, which might damage an unborn child, would be retained, but outdated restrictions on women working underground in mines or cleaning machinery in factories would be abolished.

As now there will be provision for certain single-sex educational appointments, including academic staff in women's colleges at Oxford and Cambridge universities, in view of the continuing under-representation of female academic staff.

Outdated restrictions relating to young people's hours of work and conditions of employment will be lifted so long as there is no threat to health and safety.

Source: *Hansard*, Vol 139, No 210, written answers, cols 612-13.

COMMUNITY RADIO

The Independent Broadcasting Authority (IBA) is to issue contracts for 20 new community radio stations after receiving government approval on 2 November. The proposed stations, aimed at minority communities, would operate in current independent local radio (ILR) franchise areas, and would be regulated by and responsible to the IBA; there will be safeguards to ensure fair competition with existing ILR services. The scheme represents a step towards the proposed regime for radio which will follow new broadcasting legislation (see pp 388-91); the Government's plans for new legislation governing radio were outlined in January 1988 and are based, with some modifications, on proposals contained in a consultation paper issued in February 1987 (see p 113, 1987). It is intended that the scheme will both broaden choice for the listener and provide minority communities and others with useful experience for the future.

In order to deter illegal ('pirate') broadcasting (which not only creates unfair competition, but also causes interference to other users of the radio spectrum, including safety of life services), from 1 January 1989 anyone convicted of illegal broadcasting would be disqualified for five years from applying for a licence to operate a community radio service.

The IBA will begin detailed planning, in consultation with the Government, for the introduction of the additional services as soon as possible in 1989. Applications from existing ILR contractors planning to subcontract or otherwise work in association with new entrants will be considered. Where extra services are established they would be expected to make realistic contributions to regulatory costs leading to reductions in the present levels of ILR rental charges. The IBA will take account of the programme output of the new services when considering the requirements of existing contractors.

Sources: *Hansard*, Vol 139, No 210, written answers, cols 652-3; Home Office press notice, 2.11.88.

Government and Administration

The Royal Train. COI, No 316/88.

The British Parliament. COI, No 56/88.

Immigration, Nationality and Passports: A Report on the Work of the Departments. A Home Office report describing the operation of the immigration control system in 1987 and the work of the nationality division and the passport department. Home Office. £2·50.

Report on the Work of the Prison Service for 1987-88. Cm 516. HMSO, £14. ISBN 0 10 105162 X.

Economic and Scientific Affairs

Autumn Statement 1988 (see p 373). HM Treasury. HMSO, £7·30. ISBN 0 10 269588 1.

Britain's Tax System. COI, No 217/88.

Bank of England operations in the sterling money market. The definitive version of the Bank's paper setting out its intentions for the extension of its dealing relationship with the sterling money market, at present in the hands of the eight discount houses. The paper invites applications from firms wishing to establish a dealing relationship. Available from the Bank of England, Threadneedle Street, London EC2R 8AH.

British Invisible Exports Council. Annual Report and Accounts 1987-1988. Available free from the Council, Windsor House, 39 King Street, London EC2V 8DQ.

79th Report of the Commissioners of Her Majesty's Customs and Excise for the year ended 31 March 1988. Customs and Excise revenues rose by nearly 9 per cent during the year to reach £44,700 million. This represented about 40 per cent of central government tax revenue. Value added tax accounted for 54 per cent of revenues, excise duties for 40 per cent and customs duties for 3 per cent. Costs of administration amounted to 1·1 per cent of revenues. Cm 453. HMSO, £8·60. ISBN 0 10 104532 8.

New Earnings Survey 1988. Part A: Streamlined Analyses and Key Analyses by Agreement. Department of Employment. HMSO, £9·75. ISBN 0 11 728468 8.

Consumer Credit – A Report on Attitudes and Behaviour (see p 282). Available from Public Attitude Surveys Research Limited, Rye Park House, London Road, High Wycombe, Bucks HP11 1EF. £150 plus value added tax.

Barlow Clowes. Report of Sir Godfrey Le Quesne QC to the Secretary of State for Trade and Industry. Available free from the Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

Gas: A report on the matter of the existence or possible existence of a monopoly situation in relation to the supply in Great Britain of gas through pipes to persons other than tariff customers. The Monopolies and Mergers Commission has found that British Gas is practising discrimination in the pricing and supply of gas to its contract (largely non-domestic) customers. The Monopolies and Mergers Commission. Cm 500. HMSO, £10·30. ISBN 0 10 105002 X.

Merger Policy (see p 380). Available free from the Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

Process Industries Investment Forecasts 1988-92. National Economic Development Office. Survey of likely trends in process industries' capital expenditure. Available from NEDO Books, Millbank Tower, Millbank, London SW1P 4QX. £25.

Agricultural Land Classification of England and Wales: Revised guidelines and criteria for grading the quality of agricultural land. Available from the Ministry of Agriculture, Fisheries and Food (Publications Unit), Lion House, Willowburn Trading Estate, Alnwick, Northumberland NE66 2PF. £5·50.

Welsh Agricultural Statistics No 10. Available from Statistical Publications Unit, ESS5, Welsh Office, Cathays Park, Cardiff CF1 3NQ. £3. ISBN 0 86348 679 7.

Animal Health 1987: the report of the Chief Veterinary Officer. Ministry of Agriculture, Fisheries and

Food, and Scottish and Welsh Offices. HMSO, £10·50. ISBN 0 11 242882 3.

The Effects of the Great Storm. Report of a Technical Co-ordination Committee and the Government's Response (see p 382). HMSO, £5. ISBN 0 11 752144 2.

Transport Statistics Great Britain 1977-1987. Department of Transport, Scottish Development Department and Welsh Office. HMSO, £18·95. ISBN 0 11 550870 8.

Institute of Oceanographic Sciences: Report for 1986-87. Natural Environment Research Council. Attached is the Council's own report for 1986-87. Available from the NERC, Polaris House, North Star Avenue, Swindon SN2 1EU. £5·50. ISBN 0 901875 63 5.

The Natural Environment Research Council. Report for 1987-88. Available from NERC, Polaris House, North Star Avenue, Swindon, Wiltshire SN2 1EU. £6·00. ISBN 0 901875 69 4.

Collaboration in science and technology between the UK and Japan. A report published by the Science and Engineering Policy Studies Unit of the Royal Society and the Fellowship of Engineering which shows that collaboration between Britain and Japan in science and technology and in related industrial and academic research is an increasingly important feature of relations between the two countries. Obtainable from SEPSU, 6 Carlton House Terrace, London SW1Y 5AG. £16; £17 overseas.

Radioactivity in Surface and Coastal Waters of the British Isles 1987. Available unpriced from the Ministry of Agriculture, Fisheries and Food, Fisheries Laboratory, Pakefield Road, Lowestoft, Suffolk NR33 0HT.

Social and Cultural Affairs

Population projections, area, 1985-2001 (Series PP3 no. 7). Office of Population Censuses and Surveys. Gives population projections for local and health authority areas in England analysed by sex and age. The resident population of England is projected to increase from 47·1 million in 1985 to 49·3 million in 2001, and the fastest growing regions are expected to be East Anglia with a 15 per cent increase in population and the South West (11 per cent). The North is projected to show a decrease of 3 per cent in population and the North West of 1 per cent. The population of Greater London is expected to increase slowly from 6·77 million in 1985 to 6·92 million in 2001. HMSO, £7·40. ISBN 0 11 691237 5.

The Introduction of the General Certificate of Secondary Education in Schools, 1986-88. Report by HM Inspectors. Department of Education and Science. Report concludes that the introduction of the examination has resulted in significant improvements in the quality of teaching and learning in the fourth and fifth years of secondary education. There has been a marked improvement in oral and written work; more and better practical and investigative work; and better comprehension on the part of pupils especially in course work. Available free from DES, Publications Despatch Centre, Honeypot Lane, Stanmore, Middlesex HA7 1AZ.

Secondary Examinations Council Annual Report 1987-88. Available free from SEC, Newcombe House, 45 Notting Hill Gate, London W11 3JB. ISBN 0 947944 05 2.

Education Reform in Northern Ireland – The Way Forward (see p 386). Department of Education for Northern Ireland. Available free from Department of Education, Rathgael House, Balloo Road, Bangor, Co Down BT12 2PR, Northern Ireland.

The Bodleian Library, Oxford. COI, No 97/88.

The Scottish New Towns – Maintaining the Momentum. A consultation document. Published as part of the Government's review of the future of the five Scottish new towns. The main issues on which the Government is seeking responses are: the formal 'wind-up' process for the development corporations; diversification of housing tenure; the management of community facilities and open spaces; arrangements for planning development and development control; the continuing attraction of inward investment; and disposal of corporations' industrial and commercial assets. Available unpriced from the Industry Department for Scotland, New St Andrew's House, Edinburgh EH1 3TA.

The Green Belts. Department of the Environment. An updated edition of a booklet first produced in 1962 shows that the basic Green Belt policy and its original purposes have not changed. Since 1979 the total area of approved Green Belts has more than doubled to some 1·8 million hectares (4·5 million acres) and the London Green Belt has been increased to 500,000 hectares (1·2 million acres). HMSO, £4·95. ISBN 0 11 752143 4.

Rural Development Commission Annual Report 1987-88. In April 1988 the Development Commission merged with its main agency, the Council for Small Industries in Rural Areas (CoSIRA), to form the Rural Development Commission. The role of the Commission is to keep under review, and advise the Secretary of State for the Environment upon, all matters relating to the economic and social development of rural areas in England. Available from the Commission at 11 Cowley Street, London SW1P 3NA. £8. ISBN 1 869964 04 7.

Broadcasting in the '90s: Competition, Choice and Quality. The Government's Plans for Broadcasting Legislation (see p 388). Cm 517. Home Office. HMSO, £7·20. ISBN 0 10 105172 7.

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